

**HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

MANUFACTURED HOUSING FEES TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	\$10,500	\$2,946	...	\$13,446	\$10,790	\$9,334
2018 Annualized CR	10,500	2,656	-\$71 ^a	13,085	12,388	10,331
2019 Request	<u>12,000</u>	<u>697</u>	...	<u>12,697</u>	<u>12,438</u>	<u>10,708</u>
Change from 2018	+1,500	-1,959	+71	-388	+50	+377

a/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Purpose and Fiscal Year 2019 Budget Overview

The 2019 President’s Budget request for the Manufactured Housing Program is \$12 million, which is \$1.5 million more than the 2018 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).” Under the Act, HUD is required to provide uniform and effective enforcement of its standards and responsibilities. As a result of continued industry growth, additional funds are needed in 2019 to ensure that effective levels of monitoring and enforcement are carried out by HUD as required by the statute.

Manufactured housing is a key segment of the affordable housing industry, and manufactured homes account for approximately 10 percent of the Nation’s new single-family housing stock. Additionally, manufactured homes constitute a major source of housing in rural America, where one in every five homes is a manufactured home.

2. Request

The 2019 Budget request of \$12 million will:

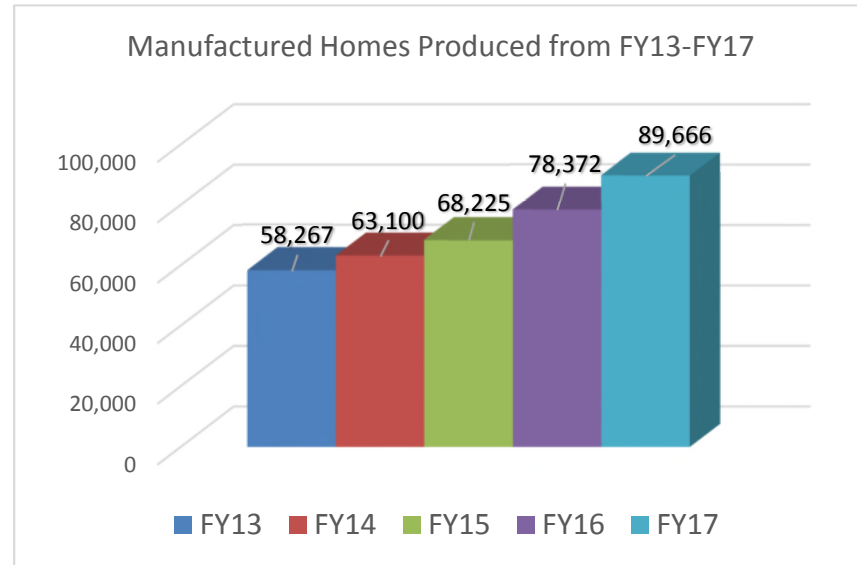
- (1) Cover the increased contractual costs for monitoring and enforcement of the program to effectively carry out the multiple federally mandated and preemptive oversight and compliance aspects of the program; and

Manufactured Housing Fees Trust Fund

- (2) Make payments to our state partners, State Administrative Agencies (SAAs), to offset their costs for handling consumer complaints and overseeing notification and correction related activities as outlined in Federal manufactured home regulations.

The costs of these programmatic activities are rising steadily due to increases in the production of manufactured homes and the steady increase in the number of production facilities nationwide. The number of manufactured homes produced has increased by more than 50 percent from 2013-2017. Also, the number of manufacturing plants has increased from 122 in 2013 to 130 in 2017. In addition, monitoring inspections are now being conducted as a result of full implementation of HUD's installation and dispute resolution programs.

Manufacturers pay a \$100 fee per transportable section of a manufactured homes (a manufactured home typically has 1-2 transportable sections). HUD collected approximately \$14 million in fees during 2017, and projects \$16 million in fee collections during fiscal year 2019 due to increases in production. HUD will use \$12 million of the fees collected in fiscal year 2019 to administer the program.



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 elderly households with fixed incomes. Manufactured housing is a key component of affordable housing; 75 percent of manufactured home households earn less than \$50,000 annually. In 2016, the average sales price of a manufactured home was \$70,000.

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.

Manufactured Housing Fees Trust Fund

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 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:

- 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 2000 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 (consumer leaders, representatives of consumer organizations, owners and residents of manufactured homes).
- 2. Monitoring manufacturer's compliance with the Construction and Safety Standards.** HUD monitors third party agencies who approve manufacturers' designs (Design Approval Primary Inspection Agencies - DAPIAs) and agencies who inspect construction and quality programs in the plants (In-plant Production Inspection Agencies - 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).
- 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 – 35 State Administrative Agencies (SAAs) – through cooperative agreements to carry out consumer complaint activities on HUD's behalf. After the voluntary withdrawal of two SAAs in 2017 due to limited resources, HUD is now responsible for oversight in 15 states.
- 4. Establishment and Oversight of Model Installation Standards in all states.** The OMHP is responsible for installation oversight nationwide and the licensing and training of installers. In 2016, OMHP implemented a federally run program in 13 states that had no installation program of their own. OMHP is now running this program in 14 States.

Manufactured Housing Fees Trust Fund

5. Establish and Administer the Dispute Resolution Program to resolve disputes between manufacturers, retailers, and installers of manufactured homes. OMHP administers a federally run program in 25 States that have no Dispute Resolution program of their own. Previously, OMHP was responsible for 24 States but one withdrew its program in 2017.

6. Coordinate the Activities of the Manufactured Housing Consensus Committee through the use of an Administering Organization (AO). The contractor is mandated by the 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.

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.

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. Manufactured homes produced under HUD Code perform better in high wind events due to enhancements to modern manufactured home construction standards. In a study conducted after Hurricane Charley, which made landfall in 2004, 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.

Manufactured Housing Fees Trust Fund

**HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Payments to States	\$2,245	\$1,883	\$4,128	\$3,424	\$2,230	\$579	\$2,809	\$3,600
Contracts	<u>8,255</u>	<u>1,063</u>	<u>9,318</u>	<u>7,366</u>	<u>8,199</u>	<u>2,077</u>	<u>10,276</u>	<u>8,400</u>
Total	10,500	2,946	13,446	10,790	10,429	2,656	13,085	12,000

**HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
Appropriations Language**

The fiscal year 2019 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 \$12,000,000, to remain available until expended, of which \$12,000,000 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 2019 so as to result in a final fiscal year 2019 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 2019 appropriation: Provided further, That for the dispute resolution and installation programs, the Secretary 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 2018 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 Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.