

**HOUSING  
MANUFACTURED HOUSING STANDARDS PROGRAM  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2015 Appropriation .....	\$10,000 <sup>a</sup>	\$5,468 <sup>b</sup>	...	\$15,468	\$10,174	\$9,415
2016 Appropriation .....	10,500 <sup>c</sup>	5,294	...	15,794	13,804	9,463
2017 Request .....	<u>11,500<sup>d</sup></u>	<u>1,990</u>	...	<u>13,490</u>	<u>11,500</u>	<u>12,152</u>
Program Improvements/Offsets .....	+1,000	-3,304	...	-2,304	-2,304	+2,689

a/ \$10.4 million in fees was collected in 2015. The \$0.4 million of fees collected above the appropriated fee limit was unavailable until 2016, when it counted against 2016's \$10.5 million appropriated fee limit.

b/ Includes \$4.69 million in carryover and \$778 thousand in recaptures.

c/ Made up of projected \$10.5 million in fee collections in 2016.

d/ Made up of projected \$11.5 million in fee collections in 2017.

**1. What is this request?**

The Budget requests \$11.5 million for the Department of Housing and Urban Development's (HUD) Manufactured Housing Standards Program in fiscal year 2017, 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, with the assistance of HUD's Construction and Safety Standards, overcome a legacy shaped by problems with the quality, safety and durability of pre-HUD code homes. 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 appropriation is intended to: (1) cover the contractual costs for the program to carry out the multiple federally mandated and preemptive oversight and enforcement aspects of the program; and (2) make the required payments to State Administrative Agencies (SAAs) as outlined in federal regulations to offset the states' costs of administering the federal portion of the manufactured housing program.

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The industry has seen a slow increase in production since reaching its nadir in 2011. Growth is expected to continue through 2017, gradually increasing the number of transportable units for which label fees are paid. However, program expenses have risen as all Manufactured Housing Improvement (MHI) Act of 2000 mandates are fully implemented. In fiscal year 2017, HUD expects to collect approximately \$11.5 million in label fees at the rate of \$100 per label.

In addition, the Department seeks changes which shift the implementation of future fee modifications approved in appropriations acts to notice with comment, rather than full rulemaking. The ability to change fees through notice with comment will allow HUD to operate more nimbly and responsively to a dynamic industry.

<b>Category</b>	<b>FY 2015 Obligations (in Millions)</b>	<b>FY 2016 Estimated Obligations (in Millions)</b>	<b>FY 2017 Estimated Obligations (in Millions)</b>
Payments to States	\$3.6	\$6.6	\$3.3
Contract for Monitoring Primary Inspection Agencies and States	5.0	5.0	5.2
Contract for Installation Inspection and Enforcement	0.8	1.1	1.3
Contract for Dispute Resolution Enforcement	0.2	0.4	0.6
Contract for Consensus Committee Administering Organization	0.2	0.25	0.3
Contract for Meeting Planner Services	0.4	0.45	0.8
<b>Total</b>	<b>10.2</b>	<b>13.8</b>	<b>11.5</b>

In the past, annual payments to states have not been obligated or issued until the following fiscal year. Beginning in 2016, HUD expects to reimburse states before the end of the fiscal year. Therefore, fiscal year 2016 obligations reflect both the 2015 and 2016 payments.

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 6.9 million manufactured homes currently in use, and more than 8 million homes built under the program since 1976. According to HUD estimates, in fiscal year 2015, approximately 68,400 homes were produced on over 122 production lines throughout the United States.

The requested fiscal year 2017 Budget will allow oversight of the 14 primary inspection agencies and 37 SAAs charged with assisting HUD in its administration of the nationwide program. The funds will also allow the program office to continue to

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transform its enforcement efforts, emphasizing quality control as the best way to eliminate defects and imminent safety hazards prior to sale of the home.

### **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). The Manufactured Housing Standards Program has federally preemptive 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 added to these responsibilities, requiring HUD 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 model installation standards and handles consumer complaints, or HUD can administer the program in states without approved programs. The federal Manufactured Housing program is also responsible for maintaining the sole library for all designs of every manufactured home built since 1976. The duties of the Office of Manufactured Housing Programs (OMHP) 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 standards for the installation of manufactured homes. These standards are regularly updated by the OMHP, as a result of careful analysis of proposals and data from the manufactured housing industry, consumers, and recommendations of the Manufactured Housing Consensus Committee (MHCC).
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 14 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 quality control programs are in place and that HUD's standards have been met. 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

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HUD certification label, also known as a HUD label, located on the outside of the home. In addition, HUD partners with the 37 SAAs to carry out certain compliance-related and oversight responsibilities.

3. Addressing Non-conformance 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 requires 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 model standards and regulations for the installation of manufactured homes, a critical element to ensure that the homes perform as designed and constructed. These standards and regulations have been published and the Department has implemented and is enforcing the installation program in all states and administers a federally run program in those states that have no approved 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 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 has implemented the dispute resolution program in all states and is administering a federally run program in those states that have no approved program of their own.
6. Coordinate the 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.

### **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 9.5 percent of the total single-family housing stock<sup>1</sup>. 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. To accomplish HUD's federally-required responsibilities, the fiscal year 2017 Budget will provide for the following:

*Payments to the States:* In order to carry out the program's consumer complaint activities on HUD's behalf, thirty-seven State Administrative Agencies (SAAs) have entered into Cooperative Agreements with the Department. In return, the program regulations outline that HUD will pay the participating states \$9.00 for every transportable unit shipped into the state, and

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<sup>1</sup> American Housing Survey, 2013. Available at:  
[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=AHS\\_2013\\_C01AH&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=AHS_2013_C01AH&prodType=table)

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\$2.50 for every transportable unit built in the states. In addition, the 2000 Act stated that HUD shall continue to fund the states having approved State plans in the amounts which are not less than the allocated amounts, based on the fee distribution system in effect on the day before enactment. HUD has completed a review of the adequacy and equitable distribution of monitoring fees to conditionally and fully approved SAAs, and has proposed to the SAAs and Manufactured Housing Consensus Committee improved SAA fee payment calculation options. The proposed alternatives are under review by the MHCC and are not estimated to change the overall payment to SAAs. Payments to states in fiscal year 2017 will be approximately \$3.3 million.

*Monitoring Primary Inspection Agencies and States:* There are three categories of contract activities—regulation and enforcement of design, regulation and enforcement of construction, and handling consumer complaints—estimated to require \$5.2 million in fiscal year 2017.

- *Regulation and Enforcement of the Design:* There are approximately 8 million manufactured homes, which have been built since the federal program began in 1976. HUD's OMHP is responsible for collecting and maintaining the designs of each of the homes built under the program for future review and investigation when required. The design database contains approximately 750,000 design pages of manufactured homes still in active use, and about 7.4 million inactive 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 2017 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 five private and one 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 2015, approximately 68,400 homes were produced on over 122 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 continue improving the quality assurance plans of manufacturers and the quality assurance oversight performance of the five private and nine state IPIAs to reduce non-conformances before the units leave the plant. Collected fees in fiscal year 2017 will allow HUD to continue to fund a contractor to: review the quality assurance plans of the manufacturers to ensure they are adequate and effective for the production currently being carried out; to visit plants to review the performance of the in-plant primary inspection agencies; and to report and recommend actions to the Department based on the visits and reviews.
- *Handling Consumer Complaints and Taking Remedial Actions:* The Department has executed agreements with thirty-seven states to provide oversight of systems for handling consumer complaint responsibilities on HUD's behalf. HUD

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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 combination smoke alarm/carbon monoxide detectors installed in manufactured houses because of a risk of their malfunctioning by notifying and following up with home manufacturers on the need to replace or repair these combination smoke alarm/carbon monoxide detectors. 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 2017 request will support the contractor's visit to 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 13 HUD-administered States and State Administered Programs:* HUD has reviewed and approved thirty-seven states that have agreed to administer a manufactured home installation program that meets federal requirements. HUD is responsible for reviewing and approving those state programs and is also responsible for the administration of the installation program in the 13 states without such programs. In fiscal year 2015, approximately 3,303 homes were placed in those states. HUD is responsible for ensuring each installer, who has received the required level of training and meets the other eligibility requirements, is provided an installer's license, allowing the installer to install homes in the HUD-administered states. In fiscal year 2017, an estimated 1,700 to 2,000 installers will be operating in the 13 HUD-administered states. The fiscal year 2017 request will allow HUD to use a contractor to continue to qualify installers for licenses in the 13 HUD-administered states; qualify and recommend approval of trainers for installation standards and procedures; review proposed training curricula and develop a database of approved trainers for installers; require inspection of 100 percent of all homes installed; accept complaints from homeowners in those states regarding their home installation, investigate and require correction when necessary, and take enforcement action when required. The contract activities are estimated to require approximately \$1.1 million in fiscal year 2016 and \$1.3 million in fiscal year 2017. In September 2014, HUD awarded a contract, under which HUD is fully implementing and overseeing installation in the 13 HUD-administered states which is expected to continue in fiscal year 2017.

*Regulation and Enforcement of the Dispute Resolution Program:* HUD has reviewed and approved twenty-seven (27) states that have agreed to administer a manufactured housing dispute resolution program that meets federal requirements. In the remaining 23 states, HUD is implementing a federal dispute resolution program. For a dispute that qualifies for federal intervention and that is submitted within 12 months of the homeowner's first installation of the home, HUD is required to provide mediation and arbitration assistance in the 23 states without approved programs. In fiscal year 2015, there were 18,839 homes sited in the HUD-administered states. The fiscal year 2017 request will allow HUD to continue using a contractor to assist in providing a neutral review for all incoming requests, and, when requests qualify, provide mediation

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and/or arbitration services for the requestor. In September 2014, HUD awarded this contract, which is estimated to require \$600,000 for fiscal year 2017.

*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). This contract activity is estimated to cost \$300,000 in fiscal year 2017.

*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. HUD also funds meetings for the MHCC. HUD anticipates conducting national and regional meetings and plans to hold multiple conference calls in fiscal year 2017. Meetings and calls will be held with the MHCC, the 14 primary inspection agencies, the 37 SAAs and with other stakeholders, including other federal agencies, manufacturers, installers, and homeowners at an estimated cost of \$800,000 in fiscal year 2017.

It is important to note that costs in this program are not fully linked with or dictated by manufactured housing production levels. Although the number of units produced annually has declined, a decrease in production does not simply translate into a corresponding decrease in costs. First, the payments to states have a statutory floor, which prevents some of HUD’s costs from decreasing despite lower production. Second, the Manufactured Housing program responsibilities have substantially increased since 1998. The 2000 Act expanded HUD’s responsibilities to include the installation program, the dispute resolution program, and the consensus committee, all of which added costs to HUD. Finally, since 1998, HUD’s existing contracts have seen inflationary increases which account for a significant part of the revenue required to operate the program. These factors have meant that HUD has not seen a decrease in costs despite fewer manufactured houses being produced.

### **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 quality, safety and durability 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.<sup>2</sup> The increased lifetime of the homes has encouraged financial organizations to

<sup>2</sup> 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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offer home mortgages instead of chattel lending, giving more manufactured home owners the opportunity to own both their 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 the Environmental Protection Agency's formaldehyde standards for composite wood products, through adoption of energy efficiency standards for manufactured homes being developed by the Department of Energy pursuant to the Energy Independence and Security Act of 2007, and through additional code modifications recommended by the MHCC. HUD had two meetings of the MHCC in fiscal year 2015 and is having an MHCC meeting in January 2016 to obtain proposals from the MHCC on updating the HUD Code. In 2017, HUD plans to have two meetings of the full MHCC and additional meetings of the MHCC Subcommittees to obtain additional recommendations.

On September 8, 2015, HUD issued the final on-site completion of construction of manufactured homes rule, which has an effective date of March 7, 2016. This final rule establishes procedures to permit completion of new manufactured housing at the installation site, rather than in the factory, under certain circumstances. Prior to this rule, manufacturers were required to request and obtain advanced HUD approval to permit alternative construction (AC) for each model of home that it wanted to complete on-site rather than in the production facility.

### **5. Proposal in the Budget**

The Department seeks changes that shift the implementation of future fee modifications, approved in appropriations acts, to notice with comment, rather than full rulemaking. This will aid the department in making timely adjustments to fees to reflect appropriated fee levels and shifts in certification label volume and to minimize the risk of the program being unable to perform its statutory duties due to shortfalls in fee collections. The ability to change fees through notice with comment will allow HUD to operate more nimbly and responsively to a dynamic industry. (Section 239)



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

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Payments to States ....	\$3,300	\$3,563	\$6,863	\$3,569	\$3,300	\$3,557	\$6,857	\$3,300
Contracts .....	<u>6,700</u>	<u>1,905</u>	<u>8,605</u>	<u>6,605</u>	<u>7,200</u>	<u>1,737</u>	<u>8,937</u>	<u>8,200</u>
Total .....	10,000	5,468	15,468	10,174	10,500	5,294	15,794	11,500

**HOUSING**  
**MANUFACTURED HOUSING STANDARDS PROGRAM**  
**Appropriations Language**

The fiscal year 2017 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.

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 ~~[\$10,500,000]~~ *\$11,500,000*, to remain available until expended, of which ~~[\$10,500,000]~~ *\$11,500,000* 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 ~~[2016]~~ *2017* so as to result in a final fiscal year ~~[2016]~~ *2017* 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 ~~[2016]~~ *2017* 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, 2016.*)