

Congressional Field hearing entitled “The State of Manufactured Housing”

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Insurance, Housing and Community Opportunity

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U.S. Department of Housing and Urban Development (HUD)
Hearing before the House Committee on Financial Services
Subcommittee on Insurance Housing and Community Development
on the Manufactured Housing Program administered by the U.S. Department of Housing and Urban
Development November 29, 2011

I want to thank Chairman Hurt and the other distinguished Members of the Subcommittee for the opportunity to testify before you today on the manufactured housing program administered by the U.S. Department of Housing and Urban Development. My name is Henry Czauski and I am Acting Deputy Administrator for the Office of Manufactured Housing Programs.

In 1974, Congress enacted the National Manufactured Housing Construction and Safety Standards Act, which was later amended by the Manufactured Housing and Improvement Act of 2000. Congress found that manufactured housing plays a vital role in meeting the housing needs of the Nation and that manufactured homes provide a significant resource for affordable homeownership and rental housing accessible to all Americans. The law directed the Secretary of HUD to establish a program to administer and carry out the purposes of this legislation which was to protect the quality, durability, safety and affordability of manufactured homes; to facilitate the availability of affordable manufactured homes; to provide for the establishment of practical, uniform Federal construction Standards that preempt standards of States or political subdivisions of States; to encourage innovative and cost-effective construction techniques; to protect the residents of manufactured housing with respect to personal injuries; to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety Standards; to ensure uniform and effective enforcement of the Federal construction and safety Standards; and to 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.

To carry out these purposes, Congress included stakeholders to assist HUD in carrying out its mission, consisting of manufacturers, retailers, consumers, State regulators, administrative and monitoring contractors and others.

A manufactured housing “consensus committee”, also known as the MHCC, was established as a Federal advisory committee to provide recommendations to the Secretary of HUD to adopt and revise Federal manufactured housing construction and safety Standards, as well as procedural and enforcement regulations; and conducts business in a manner that guarantees a fair opportunity for the expression and consideration of various positions and public participation. This committee is

composed of twenty-one voting members which includes seven producers/retailers, seven persons representing consumer interests and seven persons representing public officials and general interest. To assist the committee, Congress provided for the Secretary to contract with an “administering organization” to administer the process for establishing Federal Standards, and Procedural and Enforcement Regulations. In Fiscal Year 2011, the entire consensus committee met on four occasions to discuss the Federal Standards and subcommittees held ongoing meetings throughout the year. The Federal Standards have been the subject of ongoing review and updating.

Over the years, HUD promulgated Standards to limit formaldehyde emissions in manufactured homes; enhanced flame spread and fire safety protection requirements; improved wind safety requirements after Hurricane Andrew; enhanced smoke alarm Standards; added special moisture protection provisions for Southern climates; and upgraded the electrical safety requirements. These Federal Standards, which are pre-emptive of State or political subdivision standards, ensure that disparate State and local requirements do not affect the uniformity and comprehensiveness of the Federal Standards. More recently, the Model Installation Standards and Enforcement Installation Regulations for manufactured homes have been developed and published.

In order to assure compliance with the Standards for quality, durability, safety and affordability of manufactured homes, manufacturers contract for design and inplant inspection services with Primary Inspection Agencies accepted by HUD.

The Department, which is charged with nationwide monitoring and inspection to assure that the Standards are maintained, utilizes States and independent contractors to carry out this work and report to HUD.

In addition, Congress authorized that States may assume responsibility for enforcement of the Federal Standards upon approval of a State plan submitted to the Secretary of HUD. In such cases, the Secretary contracts through cooperative agreements with State agencies that have established a plan. At the current time, thirty-seven (37) states have established plans approved by the Secretary and receive funding. As a result, HUD assumes responsibility for enforcement of standards in the thirteen (13) States that do not have established plans. During the past two fiscal years, HUD has held two national and four regional meetings with these State regulators to provide leadership, guidance and ensure uniformity of Standards administration among the States. Once a manufactured home is determined to meet the Federal Standards, a “certification” label is permanently affixed to each home. This assures the consumer that the home was constructed in accordance with the Federal Standards. Congress authorized the Secretary to establish and collect a fee for this label to offset the expenses incurred in carrying out the responsibilities of the Department. The current label fee is \$39 for each transportable section of a manufactured home, set in 2002. For example, a double-wide home consists of two transportable units and would generate a total fee of \$78.00. Thus, label fee collections are directly linked to manufactured housing production.

Unfortunately for the industry and for the regulatory program, production has been

steadily declining since that time. For example, in Fiscal Year 2000, prior to the fee increase in 2002, label fee collections totaled \$11 million. Fiscal Year 2008 saw collections dropping to \$ 5.7 million. In Fiscal Year 2011, the label fee income fell to less than \$3 million.

In Fiscal Year 2009, Congress responded to declining program support in the form of label fees by providing a direct appropriation of \$5.4 million. Congress has continued to provide a direct appropriation, rising to \$9 million in Fiscal Year 2011. The Consolidated and Further Continuing Appropriations Act, 2012, signed by President Obama on November 18, 2011, includes a direct appropriation of \$2.5 million to supplement label fee receipts in Fiscal Year 2012.

The use of the label fees was specified by Congress in the 2000 Act and HUD has adhered to those uses in carrying out its responsibilities. The label fees have been allocated for use in: conducting inspections and monitoring; providing funding to the States that have approved plans; administering the consensus committee; facilitating the acceptance of quality, durability, safety and affordability of manufactured housing; and the administration of the enforcement of installation standards and a dispute resolution program.

In closing, I would like to state that the ongoing adoption and updating of the Federal Standards and the dedication of the stakeholders in manufactured housing have served the purpose of the 2000 Act to protect the quality, durability, safety and affordability of manufactured housing. On behalf of HUD, I want to thank you for the opportunity to provide testimony before the Subcommittee today and would be pleased to answer any questions.