



MHI Urges DOE to Address Consumer and Industry Impacts Before Finalizing Manufactured Housing Energy Conservation Standards

On Tuesday, MHI submitted a comment letter to the Department of Energy (DOE) in response to its July 17th proposed rule on “Energy Conservation Standards for Manufactured Housing.” MHI expressed concerns that the proposed rule would increase the purchase price of manufactured homes without providing any plans to mitigate this increased up-front cost. MHI also called on the DOE to establish a clear compliance regimen, where such standards would be integrated into the HUD Code, before any rule is finalized. MHI urged DOE not to finalize the proposed rule until these concerns are fully addressed. MHI’s call was echoed by over 750 letters to DOE -- including nine state associations, six manufacturers and one supplier.

The proposed rule stems from the Energy Independence and Security Act of 2007 which mandated that manufactured housing meet the latest International Energy Efficiency Code (IECC), while also seeking to minimize impacts on consumers. The DOE pursued a consensus approach with MHI, SBRA, manufacturers, suppliers and energy policy organizations through the ASRAC (Appliance Standards Regulatory Advisory Committee) working group on manufactured housing. MHI, SBRA and the MHI members who served on the working group forged consensus on numerous efficiency standards to meet the intent of EISA, which was reflected in both the 2014 ASRAC MH working group paper and in the proposed rule. There were two key areas that the ASRAC MH working group did not address – measuring the economic impact to consumers and industry, and regulatory clarity and compliance. It appears that DOE underestimated the economic impact, and they did not address compliance, deferring that to a subsequent rule making. Since these two key areas should be the crux of any successful regulation, MHI urged DOE to not finalize the proposed rule until these areas are addressed.

Economic Impact:

While the DOE contends that the proposed standards would result in increased monthly utility savings for consumers, MHI questioned the methodology used by DOE to assess costs resulting from the rule. MHI’s letter stated: “The cost impact analysis used by DOE seems to rely on optimistic assumptions that have the effect

of underestimating the impact the rule would have not only on production, but also on consumers. MHI questions the use of two key variables - the elasticity value and the cost markup factor - both of which appear to be well below industry norms in the proposed rule. Furthermore, the assumption of a 20 percent down payment amount for a manufactured home is completely out of the norm in the manufactured housing market, where down payments of that magnitude are extremely rare."

The flaws are critical because as a result:

1. DOE potentially underestimated the decline in demand due to home price increases.
2. DOE potentially underestimated the home price increase resulting from the rule.
3. DOE erred in its consumer impact calculation by assuming a higher down payment, which has the impact of increasing the value of the energy savings relative to monthly mortgage payment.

Given the potential impact on consumers, MHI also urged DOE to work with partner agencies, such as HUD, Treasury, and others to identify programs that help consumers absorb the increased costs.

Regulatory Compliance and Clarity:

MHI also argued that the proposal does not address implementation of the new standards, which could result in manufacturers facing complicated and overlapping requirements, with two separate entities overseeing the standards. In its letter, MHI called on DOE to "work with HUD to ensure energy standards are integrated into a single regulation and develop a memorandum of understanding to ensure that energy standards, while developed by DOE, are enforced by HUD through the HUD Code" before the rule is finalized. MHI has long recognized that the passage of EISA in 2007 could result in a situation where the industry is subject to dual regulation. That is why MHI supports H.R. 3135, the "Manufactured Housing Energy Efficiency Act" to ensure that HUD remains the prime regulator for the industry, even though DOE may develop energy conservation standards.

MHCC Comments:

On August 9th, the Manufactured Housing Consensus Committee met to vote on recommendations to DOE. The MHCC shares MHI's concerns around economic impacts and regulatory compliance and is reflected in their comment letter to DOE:

On consumer impact:

DOE has not adequately considered the impact of the proposed rule on the future affordability and access to credit for low income purchasers. DOE projected an average retail cost increase of 5% or \$2,226 for single section homes and \$3,109 for multi-section homes.

MHCC recommends that DOE should further revise its retail cost impact analysis based on the past industry projected retail cost mark-up factor of 2.30, rather than 1.67 factor used by DOE in its cost analysis.

On Compliance:

The DOE Proposed Rule is substantially incomplete as stated. The Proposed Rule does not contain compliance and enforcement details to ensure that homes are constructed and installed in compliance with the standard. Neither does its cost analysis include or support the cost efficiency or justification for compliance costs. The enforcement of the Proposed Rule significantly affects the costs, planning and implementation. Therefore, the MHCC cannot recommend this proposal be adopted as a final rule until the enforcement and compliance path is included.

MHCC recommends enforcement and compliance be performed by HUD.

Given the breadth of these concerns, MHI urged DOE to “consider publishing a revised draft rule for comment that more accurately addresses economic impacts and provides a compliance path through HUD enforcement.”

To view the entire letter, [click here](#).

If you have any questions, please contact Tom Heinemann, MHI's Vice President of Federal Government Affairs, at (703) 229-6207 or theinemann@mfghome.org or Lois Starkey, Vice President of Regulatory Affairs at (703) 558-0654 or lstarkey@mfghome.org.