



July 14, 2017

Mr. Daniel Cohen  
Office of the General Counsel  
U.S. Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

**Re: Regulatory Burden Reduction RFI (DOE\_FRDOC\_0001-3375)**

Dear Mr. Cohen,

The Manufactured Housing Institute (MHI) is pleased to provide comments to the Department of Energy (DOE) regarding its current rules and regulations for the manufactured housing industry that can be modified or repealed to achieve meaningful burden reduction per President Trump's Executive Orders.

MHI is the only national trade organization representing all segments of the factory-built housing industry. MHI members include manufactured home builders, lenders, home retailers, community owners and managers, suppliers and others serving or affiliated with the industry. MHI's membership includes 50 affiliated state organizations. MHI members represent over 85 percent (85%) of manufactured homes produced each year. In 2016, the industry produced over 81,000 homes, approximately nine percent of new single-family home starts.

Manufactured homes are a critical source of affordable housing for more than 22 million people. Close to 60 percent (60%) of new manufactured homes sell for less than \$70,000. The median income for manufactured homeowners is just under \$30,000 per year, which is less than half of the median household income of an owner of a single-family home.

Unlike site-built homes, manufactured homes are built almost entirely in a controlled manufacturing environment in accordance with a federal building code and companion regulations for federal enforcement and compliance, administered by the U.S. Department of Housing and Urban Development (HUD). Unlike site-built homes, which are subject to numerous differing state and local regulations, manufactured homes are built to just one uniform federal preemptive code commonly known as the HUD Code. The HUD Code ("Code"), in place since 1976 pursuant to the National Manufactured Housing Construction and Safety Standards Act (MHCSS) of 1974, has had an important role in the growth and sustainability of the manufactured home industry for over 40 years.

The HUD Code provides a single uniform regulatory framework for home design and construction of manufactured homes, including standards for health, safety, energy efficiency, and durability. This has enabled manufacturers to ship homes easily across interstate lines and achieve economies of scale that have brought high quality affordable homes to millions of working families and retirees.

While MHI supports efforts to improve energy efficiency in homes and buildings, because the HUD Code impacts everything from design, manufacture, consumer complaints, and installation of manufactured homes, each regulatory change must be carefully assessed and its impact quantified. According to statute, HUD should have exclusive jurisdiction over all manufactured housing construction standards, including standards for energy efficiency. This means that while DOE can develop energy efficiency standards, this should be done in collaboration with HUD to ensure that any proposed rules are integrated into a single regulation that is enforced by HUD through the HUD Code. Unfortunately, DOE has not been partnering with HUD on its proposed regulations for manufactured housing, resulting in complicated and overlapping requirements to the industry from both DOE and HUD, and increased costs to consumers.

### **Examples of Proposed Burdensome Rules and Regulations**

- 1) Energy Conservation Standards for Manufactured Housing (RIN 1904-AC11): In June 2016, DOE proposed a rule implementing the 2007 Energy Independence and Security Act. MHI and its members have been actively engaged with DOE to ensure that regulations developed pursuant to this Act do not pose excessive compliance and cost burdens on manufactured housing that outweigh benefits to consumers. However, the 2016 proposed rule by DOE failed to adequately assess the cost impact of the regulations on manufactured homes nor was there an effort to confer with HUD in developing a clear compliance path to avoid overlapping regulations and ensure clarity.

The proposed rule missed the fact that the first buyer of an energy efficient home under the regulations would likely never receive economic benefit from the new standard. There are several reasons for this, including the fact that on average buyers sell their homes within seven years of purchase and therefore would not realize incremental value for the added energy features that increase the sale price. At the efficiency levels proposed, MHI's survey of manufacturers determined that it is very unlikely that a manufactured homebuyer purchasing a new home and financing 90 percent (90%) of the cost of the energy features would recapture this cost at a future sale. The features that the proposed rule would require a consumer to purchase as a result of the new DOE standards would instead yield a negative return over the ownership period.

This is an unfortunate result for most buyers, and particularly unfair to the manufactured home household, whose median income is \$30,000. MHI conducted a cost analysis that shows, by utilizing a set of common manufactured finance housing assumptions – a ten percent (10%) downpayment, a mortgage with an interest rate of nine percent (9%) and a term of 20 years – and applying the energy requirements of the proposed rule with adjustments for climate zones, that over a ten-year period most homeowners will experience a net cost of up to over \$500 for a single section home and over \$1,000 for a double section home if this rule is finalized as written. (See Appendix 1)

The proposed rule also fails to offer a compliance path for manufactured housing. This could result in manufacturers facing complicated and overlapping requirements from both HUD and DOE. This view was also echoed by HUD's Manufactured Housing Consensus Committee. There must be a compliance path enforceable by HUD before the rule can be finalized or the proposed rule will both cause uncertainty in quality assurance processes and cause delays in production. There are several areas, such as controlling heat gain and loss, where the proposed DOE standard and the HUD Code conflict. Federal law gives

jurisdiction over the regulation of all aspects of manufactured housing production to HUD. The proposed standards are not feasible for manufactured housing since DOE did not work with HUD on an efficient and practical enforcement strategy.

- 2) Energy Conservation Standards for Residential Furnaces (RIN 1904-AD20): In December 2016, DOE issued a supplemental notice of proposed rulemaking about energy conservation standards for residential furnaces, which would require an across-the-board 92 percent (92%) annual fuel utilization efficiency (AFUE) furnace requirement for manufactured housing. This requirement is entirely unnecessary and is unreasonable for the size of furnaces needed in manufactured housing. New manufactured homebuyers are particularly sensitive to price increases and are not likely to benefit from higher cost furnaces, particularly in southern climates where heating requirements are not as great. Installing a 92 percent (92%) AFUE furnace in the South is simply not cost effective for a homeowner, who will not receive enough savings in utility costs to justify the investment in a more efficient furnace.

Further, existing manufactured homeowners will be particularly burdened by the proposed rule. Approximately one-third of the 8.5 million existing manufactured homes use natural gas. Given that the median income of these homeowners is \$30,000, the costly process of retrofitting homes to replace a furnace will not be a viable option for them. Because the 92 percent (92%) AFUE furnaces are larger, retrofitting older manufactured homes will be required and involve identifying a larger space and reworking the venting structure. As a result, many homeowners will be forced to choose alternative forms of energy, which will likely not be as efficient.

Additionally, while the DOE did an extensive analysis of residential furnaces to determine that a smaller capacity (55,000 BTU) furnace would be appropriate for site-built housing, such as smaller townhomes, it did no such analysis for manufactured housing. DOE relied only on the 92 percent (92%) AFUE furnace standard size for its analysis. Because of the size and demographics of the manufactured housing market, the option for a smaller capacity furnace is extremely important, perhaps more important, than for the site-built market.

Given the clear guidance in the President's recent Executive Orders regarding reducing regulations, streamlining government and fostering innovation and creativity, the above mentioned proposed rules by the DOE impacting manufactured housing need to be withdrawn immediately. DOE needs to consult and work in partnership with HUD to ensure that any rules and regulations do not hinder the industry's ability to foster economic growth by supplying quality, affordable housing to consumers.

Manufactured homes are the most affordable homeownership option in the market today. Because most purchasers of manufactured homes have modest incomes, regulations that result in cost increases, even small ones, will price consumers out of homeownership. MHI stands ready to work with the DOE and appreciates the opportunity to submit our concerns about the impact of past proposed regulations on consumers seeking to purchase manufactured homes so that such regulations are streamlined and regulatory barriers to affordability are removed.

Sincerely,



Lesli Gooch, Ph.D.  
Senior Vice President, Government Affairs & Chief Lobbyist

## Appendix 1: Economic Impact Analysis

### Financing Assumptions

Downpayment: 10%  
 Principal: 90%  
 Interest rate: 9%  
 Period: 20 years  
 Occupancy term: 10 years  
 Principal recapture rate: 0%

### Home Size Assumptions:

#### Small Home Component Areas (Sq. Ft.)

Length	Width	Unit Type	Wall Area	Opaque Wall	Ceiling	Floor	Doors	Glazing	Total Area
56	14	Single section home	1120	1025.92	784	784	40	94.08	2728
50	24	Double section home	1184	1040	1200	1200	40	144	3624

#### Medium Home Component Areas (Sq. Ft.)

Length	Width	Unit Type	Wall Area	Opaque Wall	Ceiling	Floor	Doors	Glazing	Total Area
70	14	Single section home	1344	1226.4	980	980	40	117.6	3344
56	28	Double section home	1344	1155.84	1568	1568	40	188.16	4520

### Impact on Small Single Section Home:

			Small Home									
			Single Section Home									
New Climate Zones	Old Climate Zones	Locations	Average home cost	Increase in home cost	Percent increase in cost	Down pay.	Inc. in mortgage	Inc. monthly mort. pay.	Energy savings	Mthly. Savings/Cost	Principal repayment	Net benefit (cost)
1	1	Miami, FL	\$33,995	\$874	3%	\$87	\$787	\$7	\$8	\$1	\$559	(\$555)
	1	Houston, TX	\$32,082	\$874	3%	\$87	\$787	\$7	\$8	\$1	\$559	(\$545)
2	1	Columbia, SC	\$29,958	\$874	3%	\$87	\$787	\$7	\$8	\$1	\$559	(\$565)
	1	Atlanta, GA	\$30,595	\$874	3%	\$87	\$787	\$7	\$8	\$1	\$559	(\$585)
3	2	Sacramento, CA	\$34,246	\$1,235	4%	\$124	\$1,112	\$10	\$17	\$7	\$790	(\$63)
	2	Durham, NC	\$36,293	\$1,235	3%	\$124	\$1,112	\$10	\$22	\$12	\$790	\$537
4	3	Madison, WS	\$33,858	\$1,542	5%	\$154	\$1,388	\$12	\$23	\$10	\$986	\$92
	3	Salem, OR	\$39,795	\$1,542	4%	\$154	\$1,388	\$12	\$21	\$9	\$986	(\$68)

Submission by the Manufactured Housing Institute  
 July 14, 2017

New Climate Zones	Old Climate Zones	Locations	Average home cost	Increase in home cost	Percent increase in cost	Down pay.	Inc. in mortgage	Inc. monthly mort. pay.	Energy savings	Mthly. Savings/ Cost	Principal repayment	Net benefit (cost)
1	1	Miami, FL	\$54,388	\$1,302	2%	\$130	\$1,171	\$11	\$11	\$0	\$832	(\$957)
	1	Houston, TX	\$55,857	\$1,302	2%	\$130	\$1,171	\$11	\$12	\$1	\$832	(\$827)
2	1	Columbia, SC	\$55,523	\$1,302	2%	\$130	\$1,171	\$11	\$13	\$3	\$832	(\$617)
	1	Atlanta, GA	\$53,118	\$1,302	2%	\$130	\$1,171	\$11	\$13	\$3	\$832	(\$637)
3	2	Sacramento, CA	\$92,423	\$1,559	2%	\$156	\$1,403	\$13	\$24	\$11	\$997	\$192
	2	Durham, NC	\$63,675	\$1,559	2%	\$156	\$1,403	\$13	\$26	\$14	\$997	\$482
4	3	Madison, WS	\$65,992	\$2,217	3%	\$222	\$1,995	\$18	\$31	\$13	\$1,417	(\$53)
	3	Salem, OR	\$65,870	\$2,217	3%	\$222	\$1,995	\$18	\$28	\$10	\$1,417	(\$403)