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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410

**Testimony of Henry S. Czauski  
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U.S. Department of Housing and Urban Development (HUD)**

**Before the  
House Committee on Financial Services  
Subcommittee on Insurance, Housing and Community Opportunity**

**“Implementation of the Manufactured Housing Improvement Act of 2000”  
February 1, 2012**

Chairman Biggert, Ranking Member Gutierrez and Members of the Subcommittee, thank you for the opportunity to testify today on the implementation of Manufactured Housing Improvement Act of 2000, which is administered by the U.S. Department of Housing and Urban Development (HUD). My name is Henry Czauski and I am Acting Deputy Administrator for the Office of Manufactured Housing Programs.

My remarks will identify key aspects of the Manufactured Housing Improvement Act of 2000, the role HUD has played in implementing that legislation, and the benefits to stakeholders.

**Legislation**

In 1974, Congress enacted the National Manufactured Housing Construction and Safety Standards Act, which was amended by the Manufactured Housing Improvement Act of 2000. These pieces of legislation exemplify Congress' recognition of the vital role played by manufactured housing 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.

### **HUD's Mission in Implementing the Manufactured Housing Improvement Act of 2000**

Through the Office of Housing, HUD administers and carries out the directives of this legislation: protecting the quality, durability, safety and affordability of manufactured homes; facilitating the construction and availability of affordable homes; establishing practical, uniform nationwide Federal construction standards; encouraging innovative and cost-effective construction techniques; protecting the residents with respect to personal injuries due to substandard manufactured housing; using a balanced consensus process through a committee composed of stakeholders, for the development of Federal standards; ensuring uniform and effective enforcement of the standards; and finally, ensuring that the public interest in, and need for, affordable manufactured housing is duly considered in all determinations relating to Federal standards and their enforcement.

### **Key Aspects of the 2000 Act Implemented by HUD**

My testimony will focus on the following key aspects of the 2000 Act:

- the creation of a consensus committee and an organizational infrastructure to support the committee;
- establishment of the process for revising the manufactured housing home construction and safety standards;
- enhanced pre-emption to ensure consistency of building standards nationwide;
- establishment of new model manufactured home installation standards;
- establishment of dispute resolution program standards; and
- establishment and collection of a fee from manufacturers to offset the expenses of the Secretary in carrying out the legislation.

### **Consensus Committee**

One of the most significant aspects of the 2000 Act was the creation of a "consensus committee" which has come to be known as the Manufactured Housing Consensus Committee (MHCC). The MHCC, which includes stakeholders such as manufacturers, retailers, consumers, state regulators and others, assists HUD in carrying out its mandate under the Act. Established as a Federal Advisory Committee, the MHCC provides recommendations to the Secretary of HUD to adopt and revise Federal manufactured housing construction and safety standards, as well as procedural and enforcement regulations. As a Federal Advisory Committee, the consensus committee is subject to and must comply with the Federal Advisory Committee Act (FACA). HUD has worked diligently to ensure that the committee functions in full compliance with FACA by, amongst other requirements, conducting business in a manner that guarantees a fair opportunity for the expression and consideration of various positions and public participation.

To assist in the management and operation of the committee, the Act provided for the Secretary to contract with an "administering organization" for the purpose of recommending members for

the committee, administering the consensus standards development process and the process for procedural and enforcement regulations. HUD first implemented this provision after enactment of the 2000 Act by contracting with an administering organization which commenced a search for the initial committee members and provided ongoing support to the MHCC. Periodically, as dictated under Federal contracting rules, HUD must compete this contract. Throughout the many rounds of mandated competition throughout the years, HUD has always maintained a contract with an administering organization for the purpose of ensuring the committee continues to meet all statutory requirements. By statute, the MHCC is composed of twenty-one voting members appointed by the Secretary that include seven producers/retailers, seven users representing consumer interests and seven persons representing public officials and general interest. HUD implemented these provisions of the Act and announced the names of the initial twenty-one members of the committee in August 2002 and has continued the process of appointment of members to the committee to the current time.

Since the creation of the committee, approximately thirty-five meetings have been held, an average of three meetings per year. In Fiscal Year 2011, the full consensus committee met on four occasions to discuss Federal standards and subcommittees held ongoing meetings throughout the year.

#### **Revision of Standards**

The 2000 Act also established the process for the consideration of revisions to the manufactured home construction and safety standards and outlined the roles and requirements of the MHCC the Secretary in making those revisions. The Federal standards have been the subject of ongoing review and updating. Over the years, numerous standards were reviewed by the committee and submitted to the Secretary. Recent revisions to the standards have included lighting and ventilation, fire protection requirements, the use of thermal insulation materials, and test procedures for roof trusses.

#### **Federal Preemption**

Federal preemption was a key concept in the National Manufactured Housing Construction and Safety Standards Act of 1974. It provided that once Federal standards were established, no State or political subdivision would have the authority to establish any standard which is not identical to the Federal standards. The 2000 Act added language to this provision providing that Federal preemption should be “broadly and liberally construed to ensure that disparate State or local requirements or standards do not affect the uniformity and comprehensiveness” of the Federal standards. The major benefit of preemption is that it allows a manufacturer in one state or local government jurisdiction to deliver and install a home built under the Federal code, rather than having to build each home to conform to the code of the local jurisdiction where the home will be sold. HUD was charged with implementing Federal preemption, which the agency continues



to do. If and when HUD receives information suggesting that a jurisdiction is attempting to enforce State or local standards, HUD issues a letter to that jurisdiction informing them that local laws are subject to Federal preemption. Enforcement of preemption has been carried out through education and notification.

#### **Establishment of Model Manufactured Home Installation and Dispute Resolution Program Standards**

The 2000 Act also provided for the development and establishment of model manufactured home installation and dispute resolution program standards. HUD has implemented standards for both of these statutory directives. Model Manufactured Home Installation Standards were promulgated by regulation in 2007 and provide minimum requirements for the installation of new manufactured homes. A Dispute Resolution rule was also issued the same year and provides a process for the timely resolution of disputes among manufacturers, retailers and installers.

#### **Collection of Fees**

Once a manufactured home is determined to meet the Federal Standards, a “certification” label is permanently affixed to each home. This red label assures the consumer that the home was constructed in accordance with the Federal Standards.

The 2000 Act reaffirmed the authority of the Secretary to establish and collect from manufacturers a reasonable fee to offset the expenses of carrying out the responsibilities under the Act. The label fee was set at \$39 in 2002 for each transportable section of a manufactured home and has not been increased. The use of the label fees collected was specified in the 2000 Act, for the purposes of 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. The fees have been allocated for these purposes.

#### **Financing of Manufactured Homes**

In addition to having oversight over construction and safety standards of manufactured homes, under the National Housing Act (NHA), HUD has authority to insure loans for the purchase of manufactured homes under titles I and II of the National Housing Act. For both insurance programs, the property must be deemed to meet HUD requirements for this type of housing including, for example, existence of the “label”.

Generally speaking, under Title I, borrowers can apply for an FHA insured loan for a home that is physically mobile, whereas under Title II – which includes the most commonly used FHA

insured loan product, the 203(b) forward mortgage – the manufactured home must be affixed to a permanent foundation.

Any properly originated FHA insured loan, regardless of the underlying loan type, is eligible for inclusion in mortgage backed securities issued by the Government National Mortgage Corporation (Ginnie Mae). Ginnie Mae furthers the overall mission of HUD by making affordable housing a reality for millions of low- and moderate-income households across America by channeling global capital into the nation's housing markets.

Although Ginnie Mae began securitizing manufactured housing collateral in the 1970s, a moratorium was placed on the program in 1989 due to significant losses. On June 10, 2010, Ginnie Mae launched a new manufactured housing securitization program. In 2011, Ginnie Mae guaranteed nearly \$100 million MBS backed by manufactured housing loans.

Together, FHA and Ginnie Mae have provided guarantee mechanisms which facilitate the availability of capital for manufactured housing. And both agencies continue to discuss with industry stakeholders additional ways to prudently extend financing for manufactured housing in accordance with market demand.

#### **Conclusion:**

In closing, I want to assure the Subcommittee that the Department has and continues to fairly and diligently implement the 2000 Act in accordance with the statutory purposes to protect the quality, durability, safety and affordability of manufactured housing. We actively engage with all stakeholders, including the committee, manufacturers, retailers, users, consumer groups, State regulators and others to ensure that manufactured housing continues be available as an affordable and valuable option for housing. I want to thank you for the opportunity to provide testimony before the Subcommittee today and would be pleased to answer any questions.