POLICY

Cutting five words from this law could make houses cheaper

The commonsense, zero-cost fix that Congress wouldn't touch.

by **Rachel Cohen Booth**
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Villa Homes

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There exists an almost absurdly simple fix that could help ease the housing crisis. It would cost the government nothing, require deleting just five words from a 50-year-old federal law, and has enjoyed quiet support from housing researchers and leaders for decades.

The target is an obscure regulation that requires every manufactured home to be built on a "permanent chassis" — a steel trailer frame that can attach to wheels. The idea was that the chassis was necessary — even after the home was installed and the wheels taken off — because manufactured houses, which trace their roots to World War II trailers, could theoretically be moved. Yet by the mid-1970s, most never left their original site, and the chassis remained unused, notable only as a design feature that made the homes stick out.

Getting rid of this "permanent chassis" mandate could make manufactured homes — already home to 21 million Americans, most of whom earn under $50,000 a year — more attractive, more socially accepted, and even more affordable than they already are.

Roughly 100,000 new manufactured homes are produced each year, but production is down sharply from the 1970s, just before the rule took effect. With 152 existing factories already capable of producing these types of homes, industry leaders say striking the chassis requirement could help scale up manufacturing by hundreds of thousands of houses, especially if paired with zoning reforms. The policy tweak could offer real relief for the housing crunch, especially for first-time buyers and older adults looking to downsize.

Although the change seemed simple to implement, lawmakers failed to amend the mandate for over three decades. There wasn't overwhelming opposition to the proposal, but just enough resistance to nudge politicians toward issues more likely to boost their political capital. But as the housing crisis has intensified nationwide, pressure on Congress to use one of its few direct tools to boost housing supply has become harder to ignore.

Advocates of eliminating the chassis rule think victory might finally be in reach: The Senate Banking Committee is expected to take up the issue in a hearing later this month, as part of a housing package sponsored by Tim Scott, the committee's Republican chair.

The permanent chassis rule and its history offer a window into how smart ideas that could solve real problems can still languish for decades in the fog of federal process. But it also shows what it takes to move even obvious reforms from inertia to action.

The rule

Nearly 40 years ago, policy experts began to notice a troubling trend: For the first time since the Great Depression, homeownership rates were dropping and home prices were going up, partly due to higher interest rates. In 1990, the typical first-time homebuyer earned about $23,400 annually — enough to afford a home up to $59,600, according to the Los Angeles Times, citing data from the National Association of Realtors. But the median price of a new single-family home was roughly $129,900, and existing homes weren't much cheaper, with a median price of $97,500.

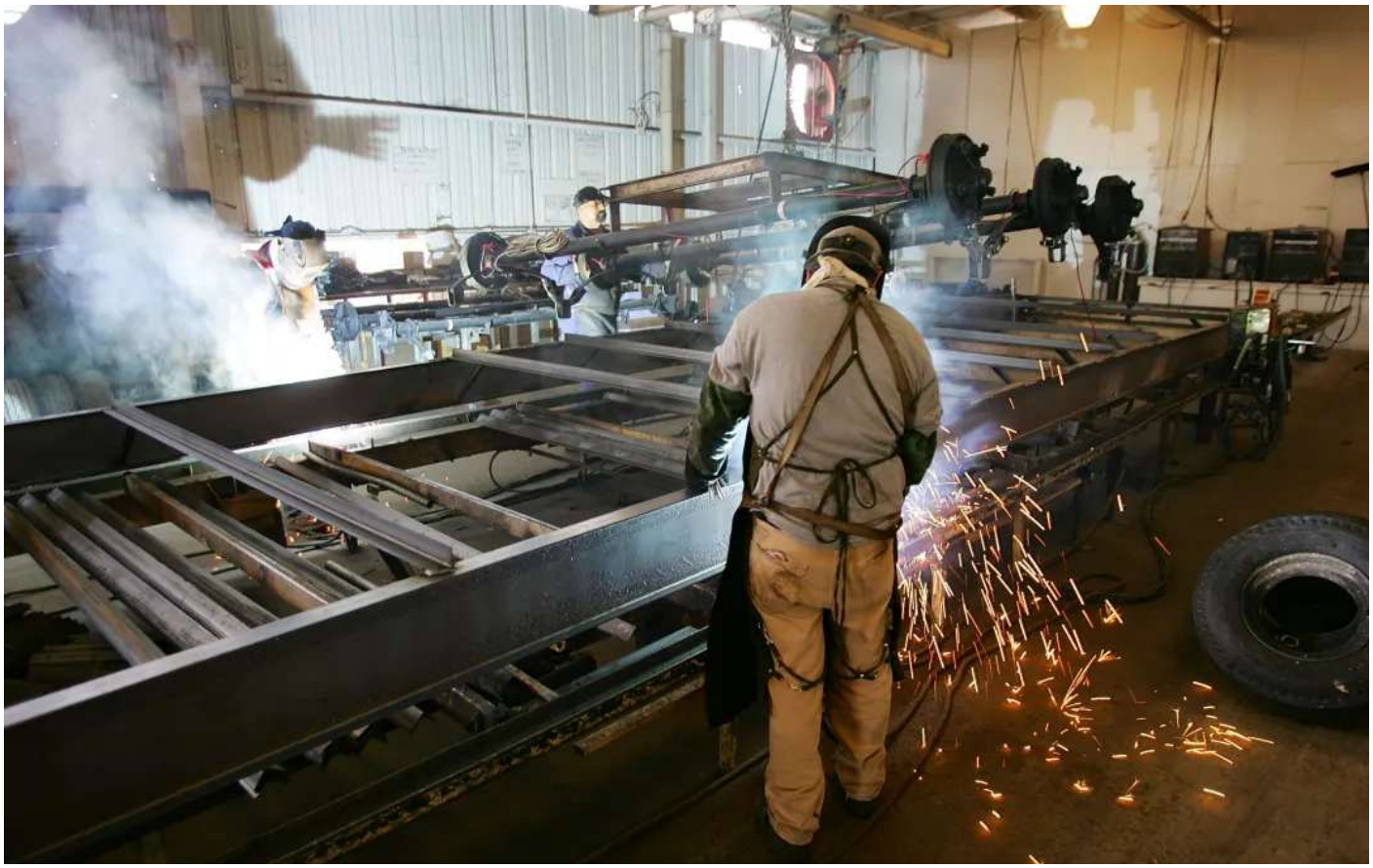
But there was a bright spot: manufactured homes. Built in factories on assembly lines, these homes benefit from standardized materials, streamlined labor, and weather-controlled conditions, making them significantly less expensive than traditional site-built housing.

Though long associated with dingy mobile trailers, by the late 20th century many manufactured houses were nearly indistinguishable from site-built ones, offering full kitchens, pitched roofs, and front porches. Nearly 13 million people lived in them.

Consumers buying manufactured homes "are demonstrating a preference for new construction that is less spacious, has a simpler design with fewer amenities, and uses less expensive materials," read one HUD-commissioned report from 1998. "Any perception that consumers today would not be interested in new conventionally-built starter homes with very basic designs and fewer 'extras' is mistaken."

Yet despite evident consumer demand, the chassis mandate held the sector back. It made production more expensive, restricted architecture flexibility, and gave state and local governments a pretext to exclude the homes through zoning. The permanent chassis feature allowed cities to more easily ban the housing in a given area for being "mobile" structures, even when they were permanently installed.

The chassis requirement originated in the Mobile Home Construction and Safety Standards Act of 1974, Congress's first and only national housing code. Lawmakers justified the need for federal standards both to streamline manufacturing and to protect consumers, especially from fire hazards. The law was modeled on the National Traffic and Motor Vehicle Safety Act of 1966, reflecting the industry's roots in homes on wheels.



RIVERSIDE, CA – SEPTEMBER 23: Workers weld a chassis together at a Fleetwood Enterprises, Inc. factory on September 23, 2005 in Riverside, California. Getty Images

Yet many advocates believe that the chassis rule was included as sabotage by the powerful National Association of Home Builders, which saw manufactured housing as a fast-growing rival to its site-built homes.

"They put it in the original law in 1974 because they were worried about a competitive disadvantage and it's lived there ever since," said Lesli Gooch, the head of the Manufactured Housing Institute, the largest trade group for the industry.

Regardless of whether one believes the site-built housing industry was originally responsible for hobbling manufactured housing with the chassis rule, it's indisputable that NAHB was one of the most ardent champions for keeping it there.

The fight

Following a failed lawsuit in the mid-1980s to eliminate the rule, the first major legislative attempt came in 1990, when Rep. John Hiler, a Republican from Indiana, introduced amendments to the law. Despite backing from the manufactured housing industry and initial subcommittee approval, the effort ultimately died.

Democrats caved to consumer groups concerned that striking the requirement could lead to lowering other safety standards and to opposition by both the site-built housing industry and HUD. Whether through bureaucratic complacency or regulatory capture by traditional homebuilders, the federal housing agency rarely pressed, and in some cases actively opposed, amending the law, despite its own research detailing again and again the problems a permanent chassis posed for manufactured housing.

Four years later, the National Commission on Manufactured Housing formally recommended eliminating the chassis requirement, affirming that the homes could be built just as safely without one. (Homes without a chassis would still be subject to all HUD construction standards.) But the report arrived just months before the 1994 midterm elections, and Congress was already consumed by fierce partisan battles over budget and crime bills.

Some critics believe the two main trade groups — the Manufactured Housing Institute and the less prominent Manufactured Housing Association for Regulatory Reform — often failed to be as politically aggressive about removing the chassis rule as they could have been.

When I asked Gooch why it's taken so long for Congress to tackle this issue, she acknowledged her group didn't really start applying pressure until eight years ago.

"In 2017, I had a dialogue with our technical activities committee, and we said, 'Okay, what is it that we need to do to move manufactured housing forward?' and the chassis issue was raised," Gooch recalled. It was then, she said, that MHI started to really discuss how to change the legislation.

MHI now takes credit for neutralizing opposition from traditional homebuilders, and notes some of its biggest members are also members of NAHB, which likely helped too. Other advocates I spoke to argue that NAHB just is in a weaker place politically to fight these kinds of reforms than in the past, given the scale of the housing crisis.

Liz Thompson, a spokesperson for NAHB, told me that while her group is not "publicly lobbying" against changing the chassis rule, they do still have "concerns" that the manufactured housing sector is being held to less stringent wind and energy standards, creating "an economic disadvantage" for their site-built home members.

Mike Kinsella, who leads Up for Growth, a federal housing supply advocacy group, said his lobbying over the last eight years has led him to conclude there's no such thing as a straightforward fix in Congress.

"Even the most practical and well-reasoned proposals face uphill battles and significant delays," he said. Many housing advocates working at the state level are used to a more linear legislative process, where bills move predictably through committees to a governor's desk, Kinsella noted. But in Congress, where standalone bills rarely advance, the whole process becomes a more intense battle of competing priorities on larger, must-pass packages.

So for decades, the issue has languished, too technical to generate public pressure, too threatening for quiet passage, and not high-profile enough for any politician to really

champion it.

New urgency to solve the housing crisis

Manufactured housing has never lacked a compelling economic case — but today, it's become far harder to dismiss. Factory-built homes stand out as one of the most obvious ways to move the needle on affordability—and one of the few housing tools within the federal government's reach. That it doesn't deepen the deficit is an added plus.

It was the housing crisis that helped spur Fannie Mae's launch of a new program in 2018 aimed at integrating manufactured homes into traditional neighborhoods. And the country's shortage of homes has motivated a wider and more skilled coalition of advocates to step up for the sector. Influential writers like Matt Yglesias have championed the cause of manufactured housing, and last year, the Washington Post ran an op-ed by two economists making one of the most prominent arguments for chassis rule removal in the media yet.

On the state level, advocates have recently been successful at pushing for new laws banning exclusionary zoning of manufactured housing. Last year Maine, Maryland, New Hampshire, and Rhode Island passed such protections, and Kentucky followed suit this year.

The buzzy "abundance" movement, fueled by Ezra Klein (a Vox co-founder) and Derek Thompson's bestselling book, has also helped shift the politics around regulatory reform — including most recently in California, where Democratic Gov. Gavin Newsom signed legislation to weaken a state environmental law long blamed for blocking housing construction. And Barack Obama, who spoke about the need to build more housing at the Democratic National Convention last August, came out harder this month with a blunt assessment, telling donors that "I don't want to know your ideology, because you can't build anything. It does not matter."

Removing the old rule?

Even with everyone supposedly on board, legislative reform can still move surprisingly slowly.

In 2023, Republican Rep. John Rose of Tennessee introduced a bill to strike the five words "built on a permanent chassis" from the definition of a manufactured home in federal law. But MHI withdrew its support.

The trade group, which represents not just manufacturers but also lenders, retailers, and insurers, cited the need to further study the proposal to assess potential ripple effects that could hurt state and local players. This vague stance puzzled advocates, given that any federal change would still include a transition period for states and cities to align their regulations.

Similarly stymied — though for different reasons — was Sen. Scott's Road to Housing Act last year, a package of bills aimed at boosting affordability that included striking the chassis rule. Then-Senate Banking Chair Sherrod Brown, a Democrat from Ohio, blocked the package because it also included a bill that could have required minor changes from the Consumer Financial Protection Bureau and possibly the Dodd-Frank Act — a can of worms Brown preferred not to open. Brown lost his election in November, and Scott now sits as chair.

Scott's bill proposes a somewhat softer version of Rose's 2023 legislation. Scott's would offer states flexibility around chassis requirements, with the idea that states would have time to harmonize whatever other laws and rules they needed to.

Though this offers a less immediate fix, most advocates are cautiously hopeful about this state opt-in strategy, so long as it doesn't include legislative poison pills — meaning provisions that would make the policy unworkable in practice.

"We're open to multiple approaches, we just want to make sure that there aren't any drafting errors in a state-by-state certification approach that might permanently prevent states from certifying their compliance…in the event that they miss their first certification deadline," said Alex Armlovich, a Niskanen Center housing analyst who has been advocating for the change.

Sean Roberts, the CEO of Villa, a company that produces factory-built accessory dwelling units, says removing the permanent chassis rule will result in more homes getting built across the board. "People could afford the homes more easily. Kind of

everybody wins, you know, there's not a whole lot of downside to it," he said. "So we're very supportive of it, and we see it as being a really positive thing."

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