

Why GAO Did This Study

Manufactured housing traditionally has been a low-cost option in the U.S. housing market. For nearly 40 years, HUD has provided standards for the manufactured housing industry by developing and updating the HUD Code. The 2000 Act was intended, among other things, to establish a balanced consensus process for updating the standards and regulations for enforcing them and to encourage manufactured housing as an affordable option. GAO was asked to study HUD's implementation of the 2000 Act.

This report addresses, among other things, the extent to which HUD has met key purposes of the 2000 Act and assesses whether user fees cover program costs. GAO interviewed and collected data for 2000-2013 from HUD, other agencies, and industry groups. GAO also visited large and small plants that built manufactured housing to solicit industry perspectives.

What GAO Recommends

GAO makes several recommendations, including that HUD develop and implement a plan for updating construction and safety standards in a timely fashion; develop a plan to assess how FHA financing might further manufactured home affordability; complete label fee rule-making; and assess the need for other user fees. Of these, HUD agreed with the first recommendation and partially agreed with the next two because it believes it has already taken actions. HUD stated it would consider the last recommendation. GAO continues to believe these recommendations remain valid as discussed in the report.

View [GAO-14-410](#). For more information, contact Mathew J. Scire` at (202) 512-8678 or sciremj@gao.gov.

MANUFACTURED HOUSING

Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability

What GAO Found

HUD has established a process for updating the preemptive building standards for manufactured homes known as the HUD Code but has not fully met key purposes of the 2000 Manufactured Housing Improvement Act (2000 Act). Key purposes of the Act include:

- *Establish a balanced, consensus-based process to update manufactured housing construction and safety standards.* HUD has not accepted, rejected, or modified any of the Manufactured Housing Consensus Committee's recommendations for updating the HUD Code within 1 year of their submission. The 2000 Act requires HUD to act on the committee's recommended standards within 1 year if they were submitted in the form of a proposed rule with an economic analysis. According to HUD, because the committee did not include economic analyses in the proposals, HUD staff performed this task. They also stated because the proposals lacked the analyses, the Act's 1-year timeline was not triggered. In some cases, HUD has not decided on recommendations made more than a decade ago and lacks a plan to address the backlog. Meanwhile, some states' and localities' residential building codes require standards not in the HUD Code, resulting in post-production upgrades that may increase costs to homeowners. Not updating the HUD Code delays its intended benefit—to improve the quality, durability, safety, and affordability of manufactured homes.
- *Facilitate the availability of affordable manufactured homes.* Owners of manufactured homes have lower monthly housing costs than site-built owners and apartment renters, but high financing costs often keep these homes from being even more affordable. HUD's Federal Housing Administration (FHA) has two insurance programs for manufactured home loans. Although most manufactured homes are titled or owned as personal property, HUD's programs primarily insure loans on manufactured homes financed as real estate. Additionally, owners of manufactured homes are more likely to have higher-priced financing than owners of site-built homes. The 2000 Act required HUD to review the effectiveness of the FHA programs, but HUD has not developed a plan to do so. Such research would help HUD determine whether and how it might further facilitate the availability of affordable manufactured homes.

The 2000 Act establishes HUD's authority to collect fees for certification labels on manufactured homes built to the HUD Code. The fees are placed in the Manufactured Housing Fees Trust Fund that provides annual appropriations to fund the expenses of the Manufactured Housing Program. The current fee rate does not produce sufficient collections to fully fund the program's expenses and must be supplemented by annual appropriations from Treasury's General Fund. HUD has indicated its intent to raise the label fee, which currently stands at \$39. As we provided a draft of this report, HUD issued a proposed rule to increase the label fee, but has not yet completed the rulemaking process. It has also not fully assessed the feasibility and benefits of putting in place other fees authorized by recent appropriation acts, in part, because it has carryover balances from past years. Without more fee revenue, however, the program will continue to require Treasury's General Fund appropriations.