Economic Impact Analysis
Virginia Department of Planning and Budget

13 VAC 6-20 – Manufactured Housing Licensing and Transaction Recovery Fund Regulations
Department of Housing and Community Development
May 7, 2009

Summary of the Proposed Amendments to Regulation

The Manufactured Housing Board (Board) proposes to amend its Manufactured Housing Licensing and Transaction Recovery Fund Regulation. Specifically, the Board proposes to:

- Add several definitions to clarify regulatory text,
- Specify that Board notices and correspondence will be sent to a licensee's last known address of record,
- Modify the time frame in which regulated entities may renew their licenses and add a reinstatement period for licensees that fail to renew in a timely manner,
- Increase all licensure fees,
- Increase the inspection fee that is collected by the Department of Motor Vehicles from $10 to $30,
- Reduce the number of new manufactured homes that an unlicensed individual may sell in a 12 month period and
- Prohibit regulated entities whose licenses have been revoked, or not renewed for cause, from being licensed under a different name.

Result of Analysis

The benefits likely exceed the costs for several proposed changes. There is insufficient data to determine if benefits outweigh costs for several other proposed changes.

Estimated Economic Impact

The Board proposes to add several definitions to explain language in other parts of the proposed regulatory text; the Board also proposes to add text that explicitly states that renewal notices (and presumably other correspondence) will be sent to a licensee's last address of record. Neither defining terms that appear in other regulatory sections nor specifying where Board notices will be sent will actually change Board policy or the responsibilities of licensees. Therefore, no regulated entity is likely to incur any costs on account of these proposed changes. Regulated entities will, however, benefit from the additional clarity these changes bring to rules that they must abide by.

Current regulations allow a licensee, who fails to renew his license before its expiration date, 60 days to renew his license without Board review. Licensees who renew within 60 days must pay the renewal fee plus a $100 late penalty. After that 60 day period, but less than one year after expiration, a licensee may renew (by paying the renewal fee and the $100 late fee) only with Board permission. The Board proposes to only allow late renewal for 30 days after license expiration. After 30 days, but before a year, licensees will have to reinstate their licenses by paying a reinstatement fee. The reinstatement fee will be:

- $750 for manufacturers,
- $300 for dealers,
- $300 for brokers and
- $225 for salespeople.

Under both current and proposed regulations, individuals whose licenses have been expired for a year or more will have to reapply for initial licensure.

Limiting the renewal period and adding a reinstatement period for these licensure programs may encourage licensees to renew their licenses in a more timely fashion. This will provide a benefit for both Board staff, and the public that pays for Board operations, if the time that the staff spends enforcing licensure renewal rules is reduced because more people are renewing on time. Licensees who fail to renew on time, or within 30 days of license expiration, will pay higher fees to reinstate their licenses than they currently pay for late renewal. For instance, a manufacturer who renews late under current regulations would have to pay a total of

$600 ($500 renewal fee plus $100 late fee). Dealers and brokers who renew late under current regulations have to pay $250; salespeople who renew late now have to pay $150. Some licensees may choose to seek employment in other fields rather than paying the higher fees and, so, total employment in areas that require Board licensure may fall slightly. Proposed reinstatement fees that are higher than current late renewal fees, as well as other fee increases that are proposed in this regulatory action, will likely help to close the persistent budget deficits for these programs.

In addition to modifying the renewal structure and introducing a reinstatement structure, the Board proposes to increase all licensure fees represented in the table below:

	Current Fees		**Proposed Fees**	
Licensure Program	**Initial Licensure**	**Renewal**	**Initial Licensure**	**Renewal**
Manufacturers	$600	$500	$700	$600
Dealers	$150	$100	$200	$150
Brokers	$150	$100	$200	$150
Salespeople	$50	$50	$100	$100

The Board also proposes to increase its special licensure fees. For manufacturers, dealers and brokers, this fee will increase from $25 to $40. The salesperson special license fee will increase from $10 to $30.

Department of Community and Housing Development (DHCD) staff reports that these licensure programs suffer from persistent budget deficits. Additionally, DHCD reports that the Board has explored and/or implemented several cost cutting measures to try and mitigate the need for fee increases. The Board has, for instance, cut one staff position and cut the number of times the Board will meet each year. The Board has also reduced services, and reduced and prioritized lot inspections, where they felt they safely could. In the near future the Board will bring software online that will allow automated license application and payment of fees which will further reduce staff time spent on these programs. Despite all steps that have been taken to make these programs more efficient, DHCD reports that fee increases are still needed to maintain services.

These proposed fee increases will increase the cost of working in jobs that require Board licensure. As a consequence, some individuals who are currently licensed may choose not to continue working at their jobs and some individuals who otherwise would be interested will not pursue licensure. Since manufactured housing has been particularly and disproportionately affected by the recent downturn in housing markets, more licensees may choose to not renew their licenses than would have had these fee increases occurred several years ago. There is insufficient data to accurately measure whether benefits will outweigh costs for these, and other, proposed fee increases.

Currently, dealers are required to collect certain fees and taxes on each home sale which they must forward to the Department of Motor Vehicles (DMV). Amongst these fees and taxes is a $10 inspection fee that DMV collects for the Board. The Board proposes to raise this fee to $30. DHCD reports that this fee increase will, again, help offset persistent budget shortfalls for these licensure programs. Although this proposed change will very slightly increase the cost of buying and registering a manufactured home, the $20 fee increase when measured against the total cost of a manufacture home is unlikely to cause anyone to change their purchasing decision.

Current regulations allow individuals to sell up to two manufactured homes in any 12 month period without being licensed. In order to account for the Department of Housing and Urban Development's (HUD) definitions of a manufactured home dealer, the Board proposes to reduce to one the number of new homes that may be sold in a 12 month period by an unlicensed individual. Any individuals who are unlicensed but who might wish to take advantage of their ability to sell limited numbers of manufactured homes will be adversely affected by this proposed regulatory change. These individuals will see their potential profits cut roughly in half.

Current regulations allow the Board to revoke, suspend or fail to renew licenses of regulated entities that have engaged in prohibited conduct (working without a license, lying in a license application, failing to comply with home warranty obligations, etc.) but does not specifically prohibit individuals from changing the name under which they are incorporated and applying for a new license. Pursuant to legislation passed in 2008, the Board now proposes to amend these regulations to prevent licensees from circumvent Board revocation actions. The Board proposes to specify that it may "revoke or deny renewal of an existing license or refuse to issue a license to any manufactured home broker, dealer, manufacturer or salesperson who is shown to have a substantial identity of interest with a manufactured home broker, dealer, or manufacturer whose license has been revoked or not renewed for cause by the Board". Further the proposed regulations prohibit individuals whose licenses have been revoked or not renewed for cause from ever being eligible for licensure. This proposed change will likely benefit purchasers of manufactured homes as they will be less likely to inadvertently do business with someone who has proven untrustworthy in the past.

Businesses and Entities Affected

DHCD reports that the Board currently licenses 42 manufacturers, 238 dealers, 3 brokers and 699 salespeople. All of these entities, plus any individuals who may seek licensure in the future, will be affected by these proposed regulations.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

Employment in the professions that the Board licenses may decrease on account of the fee increases in these proposed regulations.

Effects on the Use and Value of Private Property

Businesses that are subject to fee increases will likely see their profits decrease. This will, in turn, decrease the value of their businesses.

Small Businesses: Costs and Other Effects

Affected small businesses will have to pay additional licensure fees.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The Board has already implemented several cost cutting measures that would tend to mitigate the perceived need for fee increases. The need for fee increases may be further mitigated by further staff reductions that are under consideration as well as efficiency measures that are planned.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB’s best estimate of these economic impacts.