110TH CONGRESS 1ST SESSION

H. R. 2139

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

IN THE HOUSE OF REPRESENTATIVES

May 3, 2007

Mr. Donnelly (for himself, Mr. Frank of Massachusetts, Mr. Feeney, and Mr. Tiberi) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This title may be cited as the "FHA Manufactured
- 5 Housing Loan Modernization Act of 2007".
- 6 SEC. 2. FINDINGS AND PURPOSES.
- 7 (a) FINDINGS.—The Congress finds that—
- 8 (1) manufactured housing plays a vital role in
- 9 providing housing for low- and moderate-income
- families in the United States;

- 1 (2) the FHA title I insurance program for man-2 ufactured home loans traditionally has been a major 3 provider of mortgage insurance for home-only trans-4 actions;
 - (3) the manufactured housing market is in the midst of a prolonged downturn which has resulted in a severe contraction of traditional sources of private lending for manufactured home purchases;
 - (4) during past downturns the FHA title I insurance program for manufactured homes has filled the lending void by providing stability until the private markets could recover;
 - (5) in 1992, during the manufactured housing industry's last major recession, over 30,000 manufactured home loans were insured under title I;
 - (6) in 2006, fewer than 1,500 manufactured housing loans were insured under title I;
 - (7) the loan limits for title I manufactured housing loans have not been adjusted for inflation since 1992; and
 - (8) these problems with the title I program have resulted in an atrophied market for manufactured housing loans, leaving American families who have the most difficulty achieving homeownership

1	without adequate financing options for home-only
2	manufactured home purchases.
3	(b) Purposes.—The purposes of this Act are—
4	(1) to provide adequate funding for FHA-in-
5	sured manufactured housing loans for low- and mod-
6	erate-income homebuyers during all economic cycles
7	in the manufactured housing industry;
8	(2) to modernize the FHA title I insurance pro-
9	gram for manufactured housing loans to enhance
10	participation by Ginnie Mae and the private lending
11	markets; and
12	(3) to adjust the low loan limits for title I man-
13	ufactured home loan insurance to reflect the increase
14	in costs since such limits were last increased in 1992
15	and to index the limits to inflation.
16	SEC. 3. EXCEPTION TO LIMITATION ON FINANCIAL INSTI-
17	TUTION PORTFOLIO.
18	The second sentence of section 2(a) of the National
19	Housing Act (12 U.S.C. 1703(a)) is amended—
20	(1) by striking "In no case" and inserting
21	"Other than in connection with a manufactured
22	home or a lot on which to place such a home (or
23	both), in no case"; and
24	(2) by striking ": Provided, That with" and in-
25	serting ". With".

1 SEC. 4. INSURANCE BENEFITS.

- 2 (a) IN GENERAL.—Subsection (b) of section 2 of the
- 3 National Housing Act (12 U.S.C. 1703(b)), is amended
- 4 by adding at the end the following new paragraph:
- 5 "(8) Insurance benefits for manufac-
- 6 TURED HOUSING LOANS.—Any contract of insurance
- 7 with respect to loans, advances of credit, or pur-
- 8 chases in connection with a manufactured home or
- 9 a lot on which to place a manufactured home (or
- both) for a financial institution that is executed
- 11 under this title after the date of the enactment of
- the FHA Manufactured Housing Loan Moderniza-
- tion Act of 2007 by the Secretary shall be conclusive
- evidence of the eligibility of such financial institution
- for insurance, and the validity of any contract of in-
- surance so executed shall be incontestable in the
- hands of the bearer from the date of the execution
- of such contract, except for fraud or misrepresenta-
- tion on the part of such institution.".
- (b) APPLICABILITY.—The amendment made by sub-
- 21 section (a) shall only apply to loans that are registered
- 22 or endorsed for insurance after the date of the enactment
- 23 of this Act.

SEC. 5. MAXIMUM LOAN LIMITS.

2 (a) Dollar Amounts.—Paragraph (1) of section 3 2(b) of the National Housing Act (12 U.S.C. 1703(b)(1)) is amended— 4 5 (1) in clause (ii) of subparagraph (A), by strik-6 ing "\$17,500" and inserting "\$25,090"; 7 (2) in subparagraph (C) by striking "\$48,600" and inserting "\$69,678"; 8 9 (3) in subparagraph (D) by striking "\$64, 800" and inserting "\$92,904"; 10 11 (4) in subparagraph (E) by striking "\$16,200" 12 and inserting "\$23,226"; and 13 (5) by realigning subparagraphs (C), (D), and 14 (E) 2 ems to the left so that the left margins of 15 such subparagraphs are aligned with the margins of 16 subparagraphs (A) and (B). 17 (b) Annual Indexing.—Subsection (b) of section 2 of the National Housing Act (12 U.S.C. 1703(b)), as 18 19 amended by the preceding provisions of this Act, is further 20 amended by adding at the end the following new para-21 graph: 22 "(9) Annual indexing of manufactured 23 HOUSING LOANS.—The Secretary shall develop a 24 method of indexing in order to annually adjust the loan limits established in subparagraphs (A)(ii), (C), 25

(D), and (E) of this subsection. Such index shall be

- 1 based on the manufactured housing price data col-
- 2 lected by the United States Census Bureau. The
- 3 Secretary shall establish such index no later than
- 4 one year after the date of the enactment of the FHA
- 5 Manufactured Housing Loan Modernization Act of
- 6 2007."
- 7 (c) Technical and Conforming Changes.—Para-
- 8 graph (1) of section 2(b) of the National Housing Act (12
- 9 U.S.C. 1703(b)(1)) is amended—
- 10 (1) by striking "No" and inserting "Except as
- provided in the last sentence of this paragraph, no";
- 12 and
- 13 (2) by adding after and below subparagraph
- (G) the following:
- 15 "The Secretary shall, by regulation, annually increase
- 16 the dollar amount limitations in subparagraphs (A)(ii),
- 17 (C), (D), and (E) (as such limitations may have been pre-
- 18 viously adjusted under this sentence) in accordance with
- 19 the index established pursuant to paragraph (9).".
- 20 SEC. 6. INSURANCE PREMIUMS.
- 21 Subsection (f) of section 2 of the National Housing
- 22 Act (12 U.S.C. 1703(f)) is amended—
- 23 (1) by inserting "(1) Premium Charges.—"
- 24 after "(f)"; and

- 1 (2) by adding at the end the following new 2 paragraph:
- 3 "(2) MANUFACTURED HOME LOANS.—Notwith-
- 4 standing paragraph (1), in the case of a loan, advance of
- 5 credit, or purchase in connection with a manufactured
- 6 home or a lot on which to place such a home (or both),
- 7 the premium charge for the insurance granted under this
- 8 section shall be paid by the borrower under the loan or
- 9 advance of credit, as follows:

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- "(A) At the time of the making of the loan, advance of credit, or purchase, a single premium payment in an amount not to exceed 2.25 percent of the amount of the original insured principal obligation.
 - "(B) In addition to the premium under subparagraph (A), annual premium payments during the term of the loan, advance, or obligation purchased in an amount not exceeding 1.0 percent of the remaining insured principal balance (excluding the portion of the remaining balance attributable to the premium collected under subparagraph (A) and without taking into account delinquent payments or prepayments).
 - "(C) Premium charges under this paragraph shall be established in amounts that are sufficient, but do not exceed the minimum amounts necessary,

- 1 to maintain a negative credit subsidy for the pro-
- 2 gram under this section for insurance of loans, ad-
- 3 vances of credit, or purchases in connection with a
- 4 manufactured home or a lot on which to place such
- 5 a home (or both), as determined based upon risk to
- 6 the Federal Government under existing underwriting
- 7 requirements.
- 8 "(D) The Secretary may increase the limita-
- 9 tions on premium payments to percentages above
- those set forth in subparagraphs (A) and (B), but
- only if necessary, and not in excess of the minimum
- increase necessary, to maintain a negative credit
- subsidy as described in subparagraph (C).".
- 14 SEC. 7. TECHNICAL CORRECTIONS.
- 15 (a) Dates.—Subsection (a) of section 2 of the Na-
- 16 tional Housing Act (12 U.S.C. 1703(a)) is amended—
- 17 (1) by striking "on and after July 1, 1939,"
- each place such term appears; and
- 19 (2) by striking "made after the effective date of
- the Housing Act of 1954".
- 21 (b) Authority of Secretary.—Subsection (c) of
- 22 section 2 of the National Housing Act (12 U.S.C. 1703(c))
- 23 is amended to read as follows:
- 24 "(c) Handling and Disposal of Property.—

1 "(1) AUTHORITY OF SECRETARY.—Notwith-2 standing any other provision of law, the Secretary 3 may—

"(A) deal with, complete, rent, renovate, modernize, insure, or assign or sell at public or private sale, or otherwise dispose of, for cash or credit in the Secretary's discretion, and upon such terms and conditions and for such consideration as the Secretary shall determine to be reasonable, any real or personal property conveyed to or otherwise acquired by the Secretary, in connection with the payment of insurance heretofore or hereafter granted under this title, including any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with the payment of insurance heretofore or hereafter granted under this section; and

"(B) pursue to final collection, by way of compromise or otherwise, all claims assigned to or held by the Secretary and all legal or equitable rights accruing to the Secretary in connection with the payment of such insurance, including unpaid insurance premiums owed in

1 connection with insurance made available by 2 this title.

"(2) ADVERTISEMENTS FOR PROPOSALS.—Section 3709 of the Revised Statutes shall not be construed to apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$25,000.

"(3) Delegation of authority.—The power to convey and to execute in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein heretofore or hereafter acquired by the Secretary pursuant to the provisions of this title may be exercised by an officer appointed by the Secretary without the execution of any express delegation of power or power of attorney. Nothing in this subsection shall be construed to prevent the Secretary from delegating such power by order or by power of attorney, in the Secretary's discretion, to any officer or agent the Secretary may appoint."

SEC. 8. REVISION OF UNDERWRITING CRITERIA.

- 2 (a) In General.—Subsection (b) of section 2 of the
- 3 National Housing Act (12 U.S.C. 1703(b)), as amended
- 4 by the preceding provisions of this Act, is further amended
- 5 by adding at the end the following new paragraph:
- 6 "(10) Financial soundness of manufac-
- 7 TURED HOUSING PROGRAM.—The Secretary shall es-
- 8 tablish such underwriting criteria for loans and ad-
- 9 vances of credit in connection with a manufactured
- 10 home or a lot on which to place a manufactured
- 11 home (or both), including such loans and advances
- represented by obligations purchased by financial in-
- stitutions, as may be necessary to ensure that the
- program under this title for insurance for financial
- institutions against losses from such loans, advances
- of credit, and purchases is financially sound.".
- 17 (b) TIMING.—Not later than the expiration of the 6-
- 18 month period beginning on the date of the enactment of
- 19 this Act, the Secretary of Housing and Urban Develop-
- 20 ment shall revise the existing underwriting criteria for the
- 21 program referred to in paragraph (10) of section 2(b) of
- 22 the National Housing Act (as added by subsection (a) of
- 23 this section) in accordance with the requirements of such
- 24 paragraph.