

Union Calendar No. 332

109TH CONGRESS
2^D SESSION

H. R. 4804

[Report No. 109-580]

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2006

Mr. TIBERI (for himself and Mr. FRANK of Massachusetts) introduced the following bill; which was referred to the Committee on Financial Services

JULY 19, 2006

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on February 16, 2006]

A BILL

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

1 **SECTION 1. SHORT TITLE.**

2 *This title may be cited as the “FHA Manufactured*
3 *Housing Loan Modernization Act of 2006”.*

4 **SEC. 2. FINDINGS AND PURPOSES.**

5 *(a) FINDINGS.—The Congress finds that—*

1 (1) *manufactured housing plays a vital role in*
2 *providing housing for low- and moderate-income fam-*
3 *ilies in the United States;*

4 (2) *the FHA title I insurance program for man-*
5 *ufactured home loans traditionally has been a major*
6 *provider of mortgage insurance for home-only trans-*
7 *actions;*

8 (3) *the manufactured housing market is in the*
9 *midst of a prolonged downturn which has resulted in*
10 *a severe contraction of traditional sources of private*
11 *lending for manufactured home purchases;*

12 (4) *during past downturns the FHA title I in-*
13 *surance program for manufactured homes has filled*
14 *the lending void by providing stability until the pri-*
15 *ivate markets could recover;*

16 (5) *in 1992, during the manufactured housing*
17 *industry's last major recession, over 30,000 manufac-*
18 *tured home loans were insured under title I;*

19 (6) *in 2004, fewer than 2,000 manufactured*
20 *housing loans were insured under title I;*

21 (7) *the loan limits for title I manufactured hous-*
22 *ing loans have not been adjusted for inflation since*
23 *1992; and*

24 (8) *these problems with the title I program have*
25 *resulted in an atrophied market for manufactured*

1 (2) by striking “: Provided, That with” and in-
2 serting “. With”.

3 **SEC. 4. INSURANCE BENEFITS.**

4 (a) *IN GENERAL.*—Subsection (b) of section 2 of the
5 *National Housing Act (12 U.S.C. 1703(b))*, is amended by
6 *adding at the end the following new paragraph:*

7 “(8) *INSURANCE BENEFITS FOR MANUFACTURED*
8 *HOUSING LOANS.*—*Any contract of insurance with re-*
9 *spect to loans, advances of credit, or purchases in con-*
10 *nection with a manufactured home or a lot on which*
11 *to place a manufactured home (or both) for a finan-*
12 *cial institution that is executed under this title after*
13 *the date of the enactment of the FHA Manufactured*
14 *Housing Loan Modernization Act of 2006 by the Sec-*
15 *retary shall be conclusive evidence of the eligibility of*
16 *such financial institution for insurance, and the va-*
17 *lidity of any contract of insurance so executed shall*
18 *be incontestable in the hands of the bearer from the*
19 *date of the execution of such contract, except for fraud*
20 *or misrepresentation on the part of such institution.”.*

21 (b) *APPLICABILITY.*—*The amendment made by sub-*
22 *section (a) shall only apply to loans that are registered or*
23 *endorsed for insurance after the date of the enactment of*
24 *this Act.*

1 **SEC. 5. MAXIMUM LOAN LIMITS.**

2 (a) *DOLLAR AMOUNTS.*—Paragraph (1) of section 2(b)
3 of the National Housing Act (12 U.S.C. 1703(b)(1)) is
4 amended—

5 (1) in clause (ii) of subparagraph (A), by strik-
6 ing “\$17,500” and inserting “\$24,500”;

7 (2) in subparagraph (C) by striking “\$48,600”
8 and inserting “\$68,040”;

9 (3) in subparagraph (D) by striking “\$64,800”
10 and inserting “\$90,720”;

11 (4) in subparagraph (E) by striking “\$16,200”
12 and inserting “\$22,680”; and

13 (5) by realigning subparagraphs (C), (D), and
14 (E) 2 ems to the left so that the left margins of such
15 subparagraphs are aligned with the margins of sub-
16 paragraphs (A) and (B).

17 (b) *ANNUAL INDEXING.*—Subsection (b) of section 2 of
18 the National Housing Act (12 U.S.C. 1703(b)), as amended
19 by the preceding provisions of this Act, is further amended
20 by adding at the end the following new paragraph:

21 “(9) *ANNUAL INDEXING OF MANUFACTURED*
22 *HOUSING LOANS.*—The Secretary shall develop a
23 method of indexing in order to annually adjust the
24 loan limits established in subparagraphs (A)(ii), (C),
25 (D), and (E) of this subsection. Such index shall be
26 based on the manufactured housing price data col-

1 lected by the United States Census Bureau. The Sec-
2 retary shall establish such index no later than one
3 year after the date of the enactment of the *FHA Man-*
4 *ufactured Housing Loan Modernization Act of 2006.*”

5 (c) *TECHNICAL AND CONFORMING CHANGES.*—Para-
6 graph (1) of section 2(b) of the *National Housing Act* (12
7 *U.S.C. 1703(b)(1)*) is amended—

8 (1) by striking “No” and inserting “Except as
9 provided in the last sentence of this paragraph, no”;
10 and

11 (2) by adding after and below subparagraph (G)
12 the following:

13 “*The Secretary shall, by regulation, annually increase*
14 *the dollar amount limitations in subparagraphs (A)(ii),*
15 *(C), (D), and (E) (as such limitations may have been pre-*
16 *viously adjusted under this sentence) in accordance with the*
17 *index established pursuant to paragraph (9).*”.

18 **SEC. 6. INSURANCE PREMIUMS.**

19 Subsection (f) of section 2 of the *National Housing Act*
20 (12 *U.S.C. 1703(f)*) is amended—

21 (1) by inserting “(1) *PREMIUM CHARGES.*—”
22 after “(f)”;
23 and

24 (2) by adding at the end the following new para-
graph:

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

8 “(A) *At the time of the making of the loan, ad-*
9 *vance of credit, or purchase, a single premium pay-*
10 *ment in an amount not to exceed 2.25 percent of the*
11 *amount of the original insured principal obligation.*

12 “(B) *In addition to the premium under subpara-*
13 *graph (A), annual premium payments during the*
14 *term of the loan, advance, or obligation purchased in*
15 *an amount not exceeding 1.0 percent of the remaining*
16 *insured principal balance (excluding the portion of*
17 *the remaining balance attributable to the premium*
18 *collected under subparagraph (A) and without taking*
19 *into account delinquent payments or prepayments).*

20 “(C) *Premium charges under this paragraph*
21 *shall be established in amounts that are sufficient, but*
22 *do not exceed the minimum amounts necessary, to*
23 *maintain a negative credit subsidy for the program*
24 *under this section for insurance of loans, advances of*
25 *credit, or purchases in connection with a manufac-*

1 *tured home or a lot on which to place such a home*
2 *(or both), as determined based upon risk to the Fed-*
3 *eral Government under existing underwriting require-*
4 *ments.*

5 *“(D) The Secretary may increase the limitations*
6 *on premium payments to percentages above those set*
7 *forth in subparagraphs (A) and (B), but only if nec-*
8 *essary, and not in excess of the minimum increase*
9 *necessary, to maintain a negative credit subsidy as*
10 *described in subparagraph (C).”.*

11 **SEC. 7. TECHNICAL CORRECTIONS.**

12 *(a) DATES.—Subsection (a) of section 2 of the Na-*
13 *tional Housing Act (12 U.S.C. 1703(a)) is amended—*

14 *(1) by striking “on and after July 1, 1939,” each*
15 *place such term appears; and*

16 *(2) by striking “made after the effective date of*
17 *the Housing Act of 1954”.*

18 *(b) AUTHORITY OF SECRETARY.—Subsection (c) of sec-*
19 *tion 2 of the National Housing Act (12 U.S.C. 1703(c)) is*
20 *amended to read as follows:*

21 *“(c) HANDLING AND DISPOSAL OF PROPERTY.—*

22 *“(1) AUTHORITY OF SECRETARY.—Notwith-*
23 *standing any other provision of law, the Secretary*
24 *may—*

1 “(A) deal with, complete, rent, renovate,
2 modernize, insure, or assign or sell at public or
3 private sale, or otherwise dispose of, for cash or
4 credit in the Secretary’s discretion, and upon
5 such terms and conditions and for such consider-
6 ation as the Secretary shall determine to be rea-
7 sonable, any real or personal property conveyed
8 to or otherwise acquired by the Secretary, in
9 connection with the payment of insurance here-
10 tofore or hereafter granted under this title, in-
11 cluding any evidence of debt, contract, claim,
12 personal property, or security assigned to or held
13 by him in connection with the payment of insur-
14 ance heretofore or hereafter granted under this
15 section; and

16 “(B) pursue to final collection, by way of
17 compromise or otherwise, all claims assigned to
18 or held by the Secretary and all legal or equi-
19 table rights accruing to the Secretary in connec-
20 tion with the payment of such insurance, includ-
21 ing unpaid insurance premiums owed in connec-
22 tion with insurance made available by this title.

23 “(2) ADVERTISEMENTS FOR PROPOSALS.—Sec-
24 tion 3709 of the Revised Statutes shall not be con-
25 strued to apply to any contract of hazard insurance

1 or to any purchase or contract for services or supplies
2 on account of such property if the amount thereof does
3 not exceed \$25,000.

4 “(3) *DELEGATION OF AUTHORITY.*—The power to
5 convey and to execute in the name of the Secretary,
6 deeds of conveyance, deeds of release, assignments and
7 satisfactions of mortgages, and any other written in-
8 strument relating to real or personal property or any
9 interest therein heretofore or hereafter acquired by the
10 Secretary pursuant to the provisions of this title may
11 be exercised by an officer appointed by the Secretary
12 without the execution of any express delegation of
13 power or power of attorney. Nothing in this sub-
14 section shall be construed to prevent the Secretary
15 from delegating such power by order or by power of
16 attorney, in the Secretary’s discretion, to any officer
17 or agent the Secretary may appoint.”.

18 **SEC. 8. REVISION OF UNDERWRITING CRITERIA.**

19 (a) *IN GENERAL.*—Subsection (b) of section 2 of the
20 *National Housing Act (12 U.S.C. 1703(b))*, as amended by
21 *the preceding provisions of this Act*, is further amended by
22 *adding at the end the following new paragraph:*

23 “(10) *FINANCIAL SOUNDNESS OF MANUFACTURED*
24 *HOUSING PROGRAM.*—The Secretary shall establish
25 such underwriting criteria for loans and advances of

1 *credit in connection with a manufactured home or a*
2 *lot on which to place a manufactured home (or both),*
3 *including such loans and advances represented by ob-*
4 *ligations purchased by financial institutions, as may*
5 *be necessary to ensure that the program under this*
6 *title for insurance for financial institutions against*
7 *losses from such loans, advances of credit, and pur-*
8 *chases is financially sound.”.*

9 **(b) TIMING.**—*Not later than the expiration of the 6-*
10 *month period beginning on the date of the enactment of this*
11 *Act, the Secretary of Housing and Urban Development shall*
12 *revise the existing underwriting criteria for the program*
13 *referred to in paragraph (10) of section 2(b) of the National*
14 *Housing Act (as added by subsection (a) of this section)*
15 *in accordance with the requirements of such paragraph.*

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