

110TH CONGRESS
1ST SESSION

S. 1741

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

IN THE SENATE OF THE UNITED STATES

JUNE 28, 2007

Mr. BAYH (for himself and Mr. ALLARD) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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
10 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;

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

9 (4) during past downturns the FHA title I in-
10 surance program for manufactured homes has filled
11 the lending void by providing stability until the pri-
12 vate markets could recover;

13 (5) in 1992, during the manufactured housing
14 industry's last major recession, over 30,000 manu-
15 factured home loans were insured under title I;

16 (6) in 2006, fewer than 1,500 manufactured
17 housing loans were insured under title I;

18 (7) the loan limits for title I manufactured
19 housing loans have not been adjusted for inflation
20 since 1992; and

21 (8) these problems with the title I program
22 have resulted in an atrophied market for manufac-
23 tured housing loans, leaving American families who
24 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
10 both) for a financial institution that is executed
11 under this title after the date of the enactment of
12 the FHA Manufactured Housing Loan Moderniza-
13 tion Act of 2007 by the Secretary shall be conclusive
14 evidence of the eligibility of such financial institution
15 for insurance, and the validity of any contract of in-
16 surance so executed shall be incontestable in the
17 hands of the bearer from the date of the execution
18 of such contract, except for fraud or misrepresenta-
19 tion on the part of such institution.”.

20 (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.

1 **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))
4 is amended—

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”
8 and inserting “\$69,678”;

9 (3) in subparagraph (D) by striking “\$64,800”
10 and inserting “\$92,904”;

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
18 of the National Housing Act (12 U.S.C. 1703(b)), as
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
25 loan limits established in subparagraphs (A)(ii), (C),
26 (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
 11 provided in the last sentence of this paragraph, no”;
 12 and

13 (2) by adding after and below subparagraph
 14 (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)”;

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:

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

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

23 “(C) Premium charges under this paragraph
24 shall be established in amounts that are sufficient,
25 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
 10 those set forth in subparagraphs (A) and (B), but
 11 only if necessary, and not in excess of the minimum
 12 increase necessary, to maintain a negative credit
 13 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,”
 18 each place such term appears; and

19 (2) by striking “made after the effective date of
 20 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—

4 “(A) deal with, complete, rent, renovate,
5 modernize, insure, or assign or sell at public or
6 private sale, or otherwise dispose of, for cash or
7 credit in the Secretary’s discretion, and upon
8 such terms and conditions and for such consid-
9 eration as the Secretary shall determine to be
10 reasonable, any real or personal property con-
11 veyed to or otherwise acquired by the Secretary,
12 in connection with the payment of insurance
13 heretofore or hereafter granted under this title,
14 including any evidence of debt, contract, claim,
15 personal property, or security assigned to or
16 held by him in connection with the payment of
17 insurance heretofore or hereafter granted under
18 this section; and

19 “(B) pursue to final collection, by way of
20 compromise or otherwise, all claims assigned to
21 or held by the Secretary and all legal or equi-
22 table rights accruing to the Secretary in con-
23 nection with the payment of such insurance, in-
24 cluding unpaid insurance premiums owed in

1 connection with insurance made available by
2 this title.

3 “(2) ADVERTISEMENTS FOR PROPOSALS.—Sec-
4 tion 3709 of the Revised Statutes shall not be con-
5 strued to apply to any contract of hazard insurance
6 or to any purchase or contract for services or sup-
7 plies on account of such property if the amount
8 thereof does not exceed \$25,000.

9 “(3) DELEGATION OF AUTHORITY.—The power
10 to convey and to execute in the name of the Sec-
11 retary, deeds of conveyance, deeds of release, assign-
12 ments and satisfactions of mortgages, and any other
13 written instrument relating to real or personal prop-
14 erty or any interest therein heretofore or hereafter
15 acquired by the Secretary pursuant to the provisions
16 of this title may be exercised by an officer appointed
17 by the Secretary without the execution of any ex-
18 press delegation of power or power of attorney.
19 Nothing in this subsection shall be construed to pre-
20 vent the Secretary from delegating such power by
21 order or by power of attorney, in the Secretary’s dis-
22 cretion, to any officer or agent the Secretary may
23 appoint.”.

1 **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
12 represented by obligations purchased by financial in-
13 stitutions, as may be necessary to ensure that the
14 program under this title for insurance for financial
15 institutions against losses from such loans, advances
16 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.

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