

109TH CONGRESS  
2D SESSION

# H. R. 4804

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

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## 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

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## 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 Act may be cited as the “FHA Manufactured  
5       Housing Loan Modernization Act of 2006”.

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 2004, fewer than 2,000 manufactured  
17          housing loans were insured under title I;

18          (7) the dramatic reduction in the use of the  
19          title I program is due primarily to certain structural  
20          problems of the program, which have resulted in re-  
21          fusal by the Government National Mortgage Associa-  
22          tion (Ginnie Mae) to accept new participants into  
23          the program since 1989, contributing to higher loan  
24          costs and fewer loan originators;

1           (8) the loan limits for title I manufactured  
2           housing loans have not been adjusted for inflation  
3           since 1992; and

4           (9) these problems with the title I program  
5           have resulted in an atrophied market for manufac-  
6           tured housing loans, leaving American families who  
7           have the most difficulty achieving homeownership  
8           without adequate financing options for home-only  
9           manufactured home purchases.

10          (b) PURPOSES.—The purposes of this Act are—

11           (1) to provide adequate funding for FHA-in-  
12           sured manufactured housing loans for low- and mod-  
13           erate-income homebuyers during all economic cycles  
14           in the manufactured housing industry;

15           (2) to modernize the FHA title I insurance pro-  
16           gram for manufactured housing loans to enhance  
17           participation by Ginnie Mae and the private lending  
18           markets;

19           (3) to adjust the artificially low loan limits for  
20           title I manufactured home loan insurance to reflect  
21           the increase in costs since such limits were last in-  
22           creased in 1992 and to index the limits to inflation;  
23           and

1           (4) to ensure that the title I manufactured  
2           housing loan insurance program requires no credit  
3           subsidy from the Federal Government.

4   **SEC. 3. EXCEPTION TO LIMITATION ON FINANCIAL INSTI-**  
5                           **TUTION PORTFOLIO.**

6           The second sentence of section 2(a) of the National  
7   Housing Act (12 U.S.C. 1703(a)) is amended by striking  
8   “In no case” and inserting the following: “Other than in  
9   connection with a manufactured home or a lot on which  
10   to place such a home (or both), in no case”.

11   **SEC. 4. LOAN-TO-VALUE RATIO AND DOWNPAYMENT RE-**  
12                           **QUIREMENT.**

13           Subsection (b) of section 2 of the National Housing  
14   Act (12 U.S.C. 1703(b)) is amended by adding at the end  
15   the following new paragraph:

16           “(8) LOAN-TO-VALUE AND DOWNPAYMENT LIMITA-  
17   TIONS ON MANUFACTURED HOUSING LOANS.—No insur-  
18   ance may be granted under this section to any such finan-  
19   cial institution with respect to any obligation representing  
20   any such loan, advance of credit, or purchase by it in con-  
21   nection with a manufactured home or a lot on which to  
22   place a manufactured home (or both) unless such loan or  
23   advance of credit, or any loan or advance of credit rep-  
24   resented by such an obligation—

1           “(A) involves a principal obligation not exceed-  
2           ing the sum of—

3                   “(i) the amount of the mortgage insurance  
4                   premium paid by the borrower at the time that  
5                   the loan, advance of credit, or purchase is  
6                   made; and

7                   “(ii) 95 percent of the appraised value of  
8                   the manufactured home or lot on which to place  
9                   a manufactured home (or both) for which the  
10                  loan or advance of credit is made; and

11                  “(B) such loan or advance of credit is made to  
12                  a borrower who has paid in cash or its equivalent,  
13                  on account of the manufactured home or lot on  
14                  which to place a manufactured home (or both) for  
15                  which the loan or advance of credit is made, at least  
16                  3 percent of the Secretary’s estimate of the costs of  
17                  acquisition, alteration, improvements, lot prepara-  
18                  tion, or other eligible activity for which the loan or  
19                  advance of credit was made (excluding the amount  
20                  of the mortgage insurance premium paid by the bor-  
21                  rower at the time that the loan or advance of credit  
22                  is made).”.

23 **SEC. 5. INSURANCE BENEFITS.**

24           Subsection (b) of section 2 of the National Housing  
25   Act (12 U.S.C. 1703(b)), as amended by section 4 of this

1 Act, is further amended by adding at the end the following  
2 new paragraph:

3       “(9) INSURANCE BENEFITS FOR MANUFACTURED  
4 HOUSING LOANS.—Any contract of insurance with respect  
5 to loans, advances of credit, or purchases in connection  
6 with a manufactured home or a lot on which to place a  
7 manufactured home (or both) for a financial institution  
8 that is executed under this title before or after the date  
9 of the enactment of this Act by the Secretary shall be con-  
10 clusive evidence of the eligibility of such financial institu-  
11 tion for insurance, and the validity of any contract of in-  
12 surance so executed shall be incontestable in the hands  
13 of the bearer from the date of the execution of such con-  
14 tract, except for fraud or misrepresentation on the part  
15 of such institution. With respect only to a loan, advance  
16 of credit, or purchase in connection with a manufactured  
17 home or a lot on which to place such a home (or both),  
18 the Secretary shall otherwise provide for the payment of  
19 insurance benefits under the provisions of this section for  
20 losses on such loans, advances, or purchases according to  
21 the same terms, conditions, procedures, and requirements  
22 applicable under section 204 to a mortgage insured under  
23 section 203 covering a manufactured home (and the site  
24 on which it is located).”.

1 **SEC. 6. 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 “\$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  
15 such subparagraphs are aligned with the margins of  
16 subparagraphs (A) and (B).

17 (b) ANNUAL INDEXING.—

18 (1) METHOD OF INDEXING.—Section 206A of  
19 the National Housing Act (12 U.S.C. 1712a) is  
20 amended—

21 (A) in subsection (a)—

22 (i) by redesignating paragraphs (1)  
23 through (7) as paragraphs (2) through (8),  
24 respectively; and

1 (ii) by inserting before paragraph (2)  
2 (as so redesignated) the following new  
3 paragraph:

4 “(1) subparagraphs (A)(ii), (C), (D), and (E)  
5 of section 2(b)(1) (12 U.S.C. 1703(b)(1));”.

6 (2) ADJUSTMENTS FOR 2004 THROUGH 2006.—  
7 Not later than 30 days after the date of the enact-  
8 ment of this Act, the Federal Reserve Board shall  
9 calculate the adjustments for 2004, 2005, and 2006  
10 pursuant to paragraph (1) of section 206A(a) of the  
11 National Housing Act (12 U.S.C. 1712a(a)(1)), as  
12 added by the amendment made by paragraph (1) of  
13 this subsection, and shall notify the Secretary of  
14 Housing and Urban Development pursuant to sub-  
15 section (b) of such section 206A. Such adjustments  
16 shall take effect upon the date of such notification.

17 (3) TECHNICAL AND CONFORMING CHANGES.—  
18 Paragraph (1) of section 2(b) of the National Hous-  
19 ing Act (12 U.S.C. 1703(b)(1)) is amended—

20 (A) by striking “No” and inserting “Ex-  
21 cept as provided in the last sentence of this  
22 paragraph and in paragraph (8), no”; and

23 (B) by adding after and below subpara-  
24 graph (G) the following:



1       “The Secretary shall, by regulation, increase the dol-  
2       lar amount limitations in subparagraphs (A)(ii), (C),  
3       (D), and (E) (as such limitations may have been ad-  
4       justed in accordance with section 206A of this  
5       Act).”.

6   **SEC. 7. INSURANCE PREMIUMS.**

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

9           (1) by inserting “(1)” after “(f)”;

10          (2) by adding at the end the following new  
11   paragraph:

12           “(2) MANUFACTURED HOME LOANS.—Notwith-  
13   standing paragraph (1), in the case of a loan, ad-  
14   vance of credit, or purchase in connection with a  
15   manufactured home or a lot on which to place such  
16   a home (or both), the premium charge for the insur-  
17   ance granted under this section shall be paid by the  
18   borrower under the loan or advance of credit, as fol-  
19   lows:

20           “(A) At the time of the making of the  
21   loan, advance of credit, or purchase, a single  
22   premium payment in an amount not to exceed  
23   2.25 percent of the amount of the original in-  
24   sured principal obligation.

1           “(B) In addition to the premium under  
2           subparagraph (A), annual premium payments  
3           during the term of the loan, advance, or obliga-  
4           tion purchased in an amount not exceeding 1.0  
5           percent of the remaining insured principal bal-  
6           ance (excluding the portion of the remaining  
7           balance attributable to the premium collected  
8           under subparagraph (A) and without taking  
9           into account delinquent payments or prepay-  
10          ments).

11          “(C) Premium charges under this para-  
12          graph shall be established in amounts that are  
13          sufficient, but do not exceed the minimum  
14          amounts necessary, to maintain a negative cred-  
15          it subsidy for the program under this section  
16          for insurance of loans, advances of credit, or  
17          purchases in connection with a manufactured  
18          home or a lot on which to place such a home  
19          (or both), as determined based upon risk to the  
20          Federal Government under existing under-  
21          writing requirements.”.

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

23          (a) IN GENERAL.—Subsection (b) of section 2 of the  
24          National Housing Act (12 U.S.C. 1703(b)), as amended

1 by the preceding provisions of this Act, is further amended  
2 by adding at the end the following new paragraph:

3 “(10) FINANCIAL SOUNDNESS OF MANUFACTURED  
4 HOUSING PROGRAM.—The Secretary shall establish such  
5 underwriting criteria for loans and advances of credit in  
6 connection with a manufactured home or a lot on which  
7 to place a manufactured home (or both), including such  
8 loans and advances represented by obligations purchased  
9 by financial institutions, as may be necessary to ensure  
10 that the program under this title for insurance for finan-  
11 cial institutions against losses from such loans, advances  
12 of credit, and purchases is financially sound.”.

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

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