

109TH CONGRESS
2^D SESSION

S. 3535

To modernize and update the National Housing Act and to enable the Federal Housing Administration to use risk based pricing to more effectively reach underserved borrowers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 19, 2006

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

A BILL

To modernize and update the National Housing Act and to enable the Federal Housing Administration to use risk based pricing to more effectively reach underserved borrowers, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Expanding American Homeownership Act of 2006”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—SINGLE FAMILY MORTGAGE INSURANCE REFORM

- Sec. 101. Short title.
- Sec. 102. Findings and purposes.
- Sec. 103. Conforming loan limits and maximum principal loan obligation.
- Sec. 104. Extension of mortgage term.
- Sec. 105. Cash investment requirement.
- Sec. 106. Mortgage insurance premiums.
- Sec. 107. Rehabilitation loans.
- Sec. 108. Discretionary action.
- Sec. 109. Insurance of condominiums.
- Sec. 110. Mutual Mortgage Insurance Fund.
- Sec. 111. Hawaiian home lands and Indian reservations.
- Sec. 112. Conforming and technical amendments.
- Sec. 113. Home equity conversion mortgages.
- Sec. 114. Conforming loan limit in disaster areas.
- Sec. 115. Savings provision.
- Sec. 116. Implementation.

TITLE II—MANUFACTURED HOUSING MORTGAGE INSURANCE

- Sec. 201. Short title.
- Sec. 202. Findings and purposes.
- Sec. 203. Exception to limitation on financial institution portfolio.
- Sec. 204. Insurance benefits.
- Sec. 205. Maximum loan limits.
- Sec. 206. Insurance premiums.
- Sec. 207. Technical corrections.

1 **TITLE I—SINGLE FAMILY MORT-**
 2 **GAGE INSURANCE REFORM**

3 **SEC. 101. SHORT TITLE.**

4 This title may be cited as the “FHA Modernization
 5 Act of 2006”.

6 **SEC. 102. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds that—

8 (1) one of the primary missions of the Federal
 9 Housing Administration is to reach borrowers under-
 10 served or not served by the existing conventional
 11 marketplace;

12 (2) the Federal Housing Administration has a
 13 long history of innovation and has pioneered the 30-

1 year self-amortizing mortgage and a safe-to-seniors
2 reverse mortgage product, both of which were once
3 thought too risky by private lenders;

4 (3) the Federal Housing Administration single
5 family mortgage insurance program has traditionally
6 been a major provider of mortgage insurance for
7 home purchases;

8 (4) the Federal Housing Administration mort-
9 gage insurance premium structure, as well as the
10 Federal Housing Administration's product offerings,
11 should be revised to reflect the enhanced ability of
12 the Federal Housing Administration to determine
13 risk at the loan level and to allow Federal Housing
14 Administration to better respond to changes in the
15 mortgage market;

16 (5) during past recessions, including the oil-
17 patch downturns in the mid-1980s, the Federal
18 Housing Administration remained a viable credit
19 enhancer and was therefore instrumental in pre-
20 venting a more catastrophic collapse in housing mar-
21 kets and a greater loss of homeowner equity; and

22 (6) as housing price appreciation slows and in-
23 terest rates rise, many homeowners and prospective
24 homebuyers will need the less-expensive, safer fi-

1 nancing alternative that the Federal Housing Ad-
2 ministration mortgage insurance provides.

3 (b) PURPOSES.—The purposes of this title are—

4 (1) to provide flexibility to the Federal Housing
5 Administration to allow for the insurance of housing
6 loans for low- and moderate-income homebuyers dur-
7 ing all economic cycles in the mortgage market;

8 (2) to modernize the Federal Housing Adminis-
9 tration single family mortgage insurance program by
10 making such program more reflective of enhance-
11 ments to loan-level risk assessments and changes to
12 the mortgage market; and

13 (3) to adjust the loan limits for the single fam-
14 ily mortgage insurance program to reflect rising
15 house prices and the increased costs associated with
16 new construction.

17 **SEC. 103. CONFORMING LOAN LIMITS AND MAXIMUM PRIN-**
18 **CIPAL LOAN OBLIGATION.**

19 Section 203(b)(2) of the National Housing Act (12
20 U.S.C. 1709(b)(2)) is amended—

21 (1) by inserting “not to exceed the lesser of”
22 after “in an amount”;

23 (2) by striking subparagraphs (A) and (B) and
24 inserting the following—

1 “(A)(i) in the case of a 1-family residence,
2 the median 1-family house price in the area, as
3 determined by the Secretary; and

4 “(ii) in the case of a 2-, 3-, or 4-family
5 residence, the percentage of such median price
6 that bears the same ratio to such median price
7 as the dollar amount limitation in effect under
8 section 305(a)(2) of the Federal Home Loan
9 Mortgage Corporation Act (12 U.S.C.
10 1454(a)(2)) for a 2-, 3-, or 4-family residence,
11 respectively, bears to the dollar amount limita-
12 tion in effect under such section for a 1-family
13 residence; or

14 “(B) the dollar amount limitation deter-
15 mined under such section 305(a)(2) for a resi-
16 dence of the applicable size, except that the dol-
17 lar amount limitation in effect for any area
18 under this subparagraph may not be less than
19 the greater of—

20 “(i) the dollar amount limitation in ef-
21 fect under this section for the area on Oc-
22 tober 21, 1998; or

23 “(ii) 65 percent of the dollar limita-
24 tion determined under such section

1 305(a)(2) for a residence of the applicable
2 size.”;

3 (3) in the first undesignated paragraph, by
4 striking the second sentence (relating to average
5 cost); and

6 (4) by striking the last undesignated paragraph.

7 **SEC. 104. EXTENSION OF MORTGAGE TERM.**

8 Section 203(b)(3) of the National Housing Act (12
9 U.S.C. 1709(b)(3)) is amended by striking “thirty-five
10 years (or thirty years if such mortgage is not approved
11 for insurance prior to construction” and inserting “40
12 years”.

13 **SEC. 105. CASH INVESTMENT REQUIREMENT.**

14 Section 203(b)(9) of the National Housing Act (12
15 U.S.C. 1709(b)(9)) is amended—

16 (1) by striking “(except with respect to” and all
17 that follows through “larger amount” and inserting
18 “an amount, if any,”;

19 (2) by striking the comma after “determine”
20 and inserting “based on factors determined by the
21 Secretary and commensurate with the likelihood of
22 default”;

23 (3) by striking “of the Secretary’s” and all that
24 follows through “insured)”;

1 (4) by striking the first colon and inserting a
2 period;

3 (5) by striking the first proviso; and

4 (6) by striking “*Provided further, That for*” and
5 inserting “For”.

6 **SEC. 106. MORTGAGE INSURANCE PREMIUMS.**

7 Section 203(c) of the National Housing Act (12
8 U.S.C. 1709(c)(2)) is amended by adding at the end the
9 following:

10 “(3)(A) For mortgages insured by the Sec-
11 retary under this title that are secured by 1 to 4
12 family dwellings and for which the loan application
13 is received by the mortgagee on or after October 1,
14 2006, the Secretary may establish a mortgage insur-
15 ance premium structure involving a single premium
16 collected prior to the insurance of the mortgage or
17 periodic payments, or both, without regard to any
18 maximum or minimum premium amounts set forth
19 in this subsection. The rate of premium for a mort-
20 gage may vary during the mortgage term as long as
21 the basis for determining the variable rate is deter-
22 mined prior to the execution of the mortgage. The
23 Secretary may change a premium structure estab-
24 lished under this subparagraph if the change is not
25 applied to any mortgage already executed.

1 “(B) A premium structure shall be established
2 or changed under subparagraph (A) by providing no-
3 tice to mortgagees and by providing notice to Con-
4 gress at least 30 days prior to the date that the pre-
5 mium structure is to be established or changed.

6 “(C) In establishing a premium structure under
7 subparagraph (A) or when changing such a premium
8 structure the Secretary shall consider the following:

9 “(i) The effect on the ability of the Sec-
10 retary to meet the operational goals of the Mu-
11 tual Mortgage Insurance Fund as provided in
12 section 202(a).

13 “(ii) Underwriting variables.

14 “(iii) The extent to which new pricing has
15 potential for acceptance on the private market.

16 “(iv) The administrative capability of the
17 Secretary to administer the proposed premium
18 structure.

19 “(v) The effect on the ability of the Sec-
20 retary to maintain the availability of mortgage
21 credit and provide stability to mortgage mar-
22 kets.”.

23 **SEC. 107. REHABILITATION LOANS.**

24 Section 203(k) of the National Housing Act (12
25 U.S.C. 1709(k)) is amended—

1 (1) in paragraph (1), by striking “on” and all
2 that follows through “1978”; and

3 (2) in paragraph (5)—

4 (A) by striking “General Insurance Fund”
5 the first place it appears and inserting “Mutual
6 Mortgage Insurance Fund”; and

7 (B) in the second sentence, by striking the
8 comma and all that follows through the period
9 at the end, and inserting a period.

10 **SEC. 108. DISCRETIONARY ACTION.**

11 (a) TRANSFER OF NOTICE REQUIREMENTS.—Section
12 203 of the National Housing Act (12 U.S.C. 1709) is
13 amended by striking subsection (s);

14 (b) NOTICE PROVISIONS.—Section 202 of the Na-
15 tional Housing Act (12 U.S.C. 1708) is amended—

16 (1) by redesignating subsection (e) as sub-
17 section (f); and

18 (2) by inserting after subsection (d) the fol-
19 lowing new subsection (e):

20 “(e) NOTICE OF DISCRETIONARY ACTION.—When-
21 ever the Secretary has taken any discretionary action to
22 suspend or revoke the approval of any mortgagee to par-
23 ticipate in any mortgage insurance program under this
24 subchapter, the Secretary shall provide prompt notice of

1 the action and a statement of the reasons for the action
2 to—

3 “(1) the Secretary of Veterans Affairs;

4 “(2) the chief executive officer of the Federal
5 National Mortgage Association;

6 “(3) the chief executive officer of the Federal
7 Home Loan Mortgage Corporation;

8 “(4) the Administrator of the Rural Housing
9 Service;

10 “(5) if the mortgagee is a national bank, or a
11 subsidiary or affiliate of such a bank, the Comp-
12 troller of the Currency;

13 “(6) if the mortgagee is a State bank that is a
14 member of the Federal Reserve System or a sub-
15 sidiary or affiliate of such a bank, or a bank holding
16 company or a subsidiary or affiliate of such a com-
17 pany, the Board of Governors of the Federal Re-
18 serve System;

19 “(7) if the mortgagee is a State bank that is
20 not a member of the Federal Reserve System or is
21 a subsidiary or affiliate of such a bank, the Board
22 of Directors of the Federal Deposit Insurance Cor-
23 poration; and

24 “(8) if the mortgagee is a Federal or State sav-
25 ings association or a subsidiary or affiliate of a sav-

1 ings association, the Director of the Office of Thrift
2 Supervision.”.

3 **SEC. 109. INSURANCE OF CONDOMINIUMS.**

4 (a) IN GENERAL.—Section 234 of the National
5 Housing Act (12 U.S.C. 1715y) is amended—

6 (1) in subsection (c)—

7 (A) in the first sentence, by striking the
8 period and inserting the following “, and (3)
9 the project has a blanket mortgage insured by
10 the Secretary under subsection (d).”; and

11 (B) by striking “thirty-five” and inserting
12 “40”; and

13 (2) in subsection (g), by striking “, except” and
14 all that follows through the period at the end and
15 inserting a period.

16 (b) FIRST MORTGAGES.—Section 201(a) of the Na-
17 tional Housing Act (12 U.S.C. 1707(a)) is amended by
18 striking the semicolon and inserting “or (3) a first mort-
19 gage given to secure the unpaid purchase price of a fee
20 interest in, or long-term leasehold interest in, a 1 family
21 unit in a multifamily project, including a project in which
22 the dwelling units are attached, semi-detached, or de-
23 tached, and an undivided interest in the common areas
24 and facilities which serve the project;”.

1 **SEC. 110. MUTUAL MORTGAGE INSURANCE FUND.**

2 (a) ESTABLISHMENT OF FUND.—Section 202(a) of
3 the National Housing Act (12 U.S.C. 1708) is amended
4 to read as follows:

5 “(a) MUTUAL MORTGAGE INSURANCE FUND.—

6 “(1) ESTABLISHMENT.—Subject to the provi-
7 sions of the Federal Credit Reform Act of 1990,
8 there is hereby created a Mutual Mortgage Insur-
9 ance Fund (referred to in this section as the
10 ‘Fund’), which shall be used by the Secretary to
11 carry out the provisions of this title with respect to
12 mortgages insured under section 203. The Secretary
13 is authorized to use amounts in the Fund to guar-
14 antee any mortgage insured under section 203.

15 “(2) AUTHORIZATION OF APPROPRIATIONS.—
16 There are authorized to be appropriated such sums
17 as are necessary for the cost of—

18 “(A) loan guarantees authorized under this
19 subsection; and

20 “(B) administering such loan guarantees.

21 “(3) LIMIT ON LOAN GUARANTEES.—Commit-
22 ments to guarantee loans under the subsection may
23 be made by the Secretary only to the extent that
24 total loan principal, any part of which is guaranteed,
25 does not exceed the amount specified in annual ap-
26 propriations acts each year.

1 “(4) ANNUAL INDEPENDENT ACTUARIAL
2 STUDY.—

3 “(A) STUDY AND REPORT.—The Secretary
4 shall—

5 “(i) provide for an independent actu-
6 arial study of the Fund to be conducted
7 annually; and

8 “(ii) report annually to the Congress
9 regarding the financial status of the Fund.

10 “(B) CONTENT OF STUDY.—Each study
11 required under subparagraph (A) shall analyze
12 the financial position of the Fund and rec-
13 ommend adjustments to underwriting stand-
14 ards, program participation, or premiums, if
15 necessary, to ensure that the Fund remains fi-
16 nancially sound.

17 “(C) TIMING OF REPORT.—The Secretary
18 shall submit a report required under subpara-
19 graph (A) to Congress each quarter, with the
20 first report submitted on the later of—

21 “(i) the last day of the first quarter of
22 fiscal year 2007; or

23 “(ii) 90 days after the date of enact-
24 ment of this subsection.

1 “(D) ADDITIONAL REQUIREMENTS OF THE
2 REPORT.—Each report required under subpara-
3 graph (A) shall detail—

4 “(i) the cumulative volume of loan
5 guarantee commitments made for the fiscal
6 year;

7 “(ii) the types of loans insured, cat-
8 egorized by risk;

9 “(iii) significant changes between ac-
10 tual and projected claim and prepayment
11 activity;

12 “(iv) projected versus actual loss
13 rates; and

14 “(v) updated projections of the annual
15 subsidy rates to ensure that increases in
16 risk to the Fund are identified and miti-
17 gated by adjustments to underwriting
18 standards, program participation, or pre-
19 miums, and the Fund’s financial soundness
20 is maintained.

21 “(5) ADDITIONAL RESPONSIBILITY.—The Sec-
22 retary shall ensure that the Fund remains finan-
23 cially sound.

24 “(6) ADJUSTMENT OF PREMIUMS.—

1 “(A) AUTHORITY OF THE SECRETARY.—If,
2 pursuant to the independent actuarial study of
3 the Fund required under paragraph (4), the
4 Secretary determines that the Fund is not
5 meeting the operational goals established under
6 subparagraph (B) or there is a substantial
7 probability that the Fund will not maintain its
8 established target subsidy rate, the Secretary
9 may either make—

10 “(i) programmatic adjustments under
11 section 203 as necessary to reduce the risk
12 to the Fund; or

13 “(ii) appropriate premium adjust-
14 ments.

15 “(B) OPERATIONAL GOALS.—The oper-
16 ational goals of the Fund are—

17 “(i) charging borrowers an appro-
18 priate premium for the risk that such bor-
19 rower poses to the Fund;

20 “(ii) minimizing the default risk to
21 the Fund and to homeowners;

22 “(iii) curtailing the impact of adverse
23 selection on the Fund; and

24 “(iv) meeting the housing needs of the
25 target mortgagors of the Fund.”.

1 (b) AMENDMENT TO SECTION 205.—Section 205 of
2 the National Housing Act (12 U.S.C. 1711) is amended
3 by striking subsections (g) and (h).

4 (c) AMENDMENT TO SECTION 203.—Section 203(v)
5 of the National Housing Act (12 U.S.C. 1709(v)) is
6 amended by—

7 (1) striking “Notwithstanding section 202 of
8 this title, the” and inserting “The”; and

9 (2) striking “General Insurance Fund” and all
10 that follows through the period at the end and in-
11 serting “Mutual Mortgage Insurance Fund.”.

12 (d) AMENDMENTS TO GENERAL INSURANCE
13 FUND.—Section 519(e) of the National Housing Act (12
14 U.S.C. 1735c(e)) is amended by—

15 (1) striking “203(b)” and inserting “203”; and

16 (2) striking “(except” and all that follows
17 through “203(i)” and inserting “except as deter-
18 mined by the Secretary”.

19 (e) HOME EQUITY CONVERSION MORTGAGES.—Sec-
20 tion 255(i)(2)(A) of the National Housing Act (12 U.S.C.
21 1715z–20(i)(2)A)) is amended by striking “General Insur-
22 ance Fund” and inserting “Mutual Mortgage Insurance
23 Fund”.

1 **SEC. 111. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**
2 **TIONS.**

3 (a) SINGLE FAMILY MORTGAGE INSURANCE.—Sec-
4 tion 247(c) of the National Housing Act (12 U.S.C.
5 1715z-12) is amended—

6 (1) in the heading, by striking “GENERAL IN-
7 SURANCE FUND” and inserting “MUTUAL MORT-
8 GAGE INSURANCE FUND”;

9 (2) in the first sentence, by striking “General
10 Insurance Fund established in section 519” and in-
11 sserting “Mutual Mortgage Insurance Fund”; and

12 (3) in the second sentence, by striking the
13 comma and all that follows through the period at the
14 end and inserting “, except that all references in sec-
15 tion 204 to section 203 shall be construed to refer
16 to the section under which the mortgage is in-
17 sured.”.

18 (b) MORTGAGE INSURANCE ON INDIAN RESERVA-
19 TIONS.—Section 248(f) of the National Housing Act (12
20 U.S.C. 1715z-13) is amended—

21 (1) in the heading, by striking “GENERAL IN-
22 SURANCE FUND” and inserting “MUTUAL MORT-
23 GAGE INSURANCE FUND”;

24 (2) in the first sentence, by striking “General
25 Insurance Fund established in section 519” and in-
26 sserting “Mutual Mortgage Insurance Fund”; and

1 (3) in the second sentence, by striking the
2 comma and all that follows through the period at the
3 end and inserting “, except that all references in sec-
4 tion 204 to section 203 shall be construed to refer
5 to the section under which the mortgage is in-
6 sured.”.

7 **SEC. 112. CONFORMING AND TECHNICAL AMENDMENTS.**

8 (a) **REPEAL OF SECTIONS.**—The following sections of
9 the National Housing Act are repealed:

- 10 (1) Section 203(i) (12 U.S.C. 1709(i)).
11 (2) Section 203(o) (12 U.S.C. 1709(o)).
12 (3) Section 203(p) (12 U.S.C. 1709(p)).
13 (4) Section 203(q) (12 U.S.C. 1709(q)).
14 (5) Section 222 (12 U.S.C. 1715m).
15 (6) Section 237 (12 U.S.C. 1715z–2).
16 (7) Section 245 (12 U.S.C. 1715z–10).

17 (b) **DEFINITION OF AREA.**—Section 203(u)(2)(A) of
18 the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is
19 amended by striking “shall” and all that follows through
20 the semicolon at the end and inserting “means a metro-
21 politan statistical area, as established by the Office of
22 Management and Budget;”.

23 (c) **DEFINITION OF STATE.**—Section 201(d) of the
24 National Housing Act (12 U.S.C. 1707(d)) is amended by

1 striking “the Trust Territory of the Pacific Islands” and
 2 inserting “the Northern Marianas Islands”.

3 **SEC. 113. HOME EQUITY CONVERSION MORTGAGES.**

4 Section 255 of the National Housing Act (12 U.S.C.
 5 1715z–20) is amended—

6 (1) in subsection (g)—

7 (A) by striking the first sentence; and

8 (B) by striking “section 203(b)(2)” and in-
 9 serting “section 305(a)(2) of the Federal Home
 10 Loan Mortgage Corporation Act”;

11 (2) in subsection (i)(1)(C), by striking “limita-
 12 tions” and inserting “limitation”; and

13 (3) by adding a new subsection as follows:

14 “(n) **AUTHORITY FOR HOME PURCHASE.—**

15 “(1) **IN GENERAL.—**Notwithstanding any other
 16 provision in this section, the Secretary may insure,
 17 upon application by a mortgagee, a home equity con-
 18 version mortgage upon such terms and conditions as
 19 the Secretary may prescribe, when the primary pur-
 20 pose of the home equity conversion mortgage is to
 21 enable an elderly mortgagor to purchase a 1 to 4
 22 family dwelling in which the mortgagor will occupy
 23 or occupies one of the units.

24 “(2) **LIMITATION ON PRINCIPAL OBLIGATION.—**

25 A home equity conversion mortgage insured under

1 paragraph (1) shall involve a principal obligation
2 that does not exceed the dollar amount limitation de-
3 termined under section 305(a)(2) of the Federal
4 Home Loan Mortgage Corporation Act for a resi-
5 dence of the applicable size.”.

6 **SEC. 114. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

7 Section 203(h) of the National Housing Act (12
8 U.S.C. 1709) is amended—

9 (1) by striking “Notwithstanding” and insert-
10 ing the following:

11 “(1) IN GENERAL.—Notwithstanding”;

12 (2) by inserting after “value of property” the
13 following: “plus any initial service charges, ap-
14 praisal, inspection, and other fees in connection with
15 the mortgage, as approved by the Secretary”; and

16 (3) by adding at the end the following:

17 “(2) TEMPORARY AGREEMENTS TO INSURE
18 MORTGAGES.—In any case in which the single family
19 residence to be insured under this subsection is with-
20 in a jurisdiction in which the President has declared
21 a major disaster as described in paragraph (1), the
22 Secretary is authorized for a temporary period not
23 to exceed 36 months from the date of such Presi-
24 dential declaration, to enter into agreements to in-
25 sure a mortgage which involves a principal obligation

1 of up to 100 percent of the dollar limitation deter-
2 mined under section 305(a)(2) of the Federal Home
3 Loan Mortgage Corporation Act for a single family
4 residence, and not in excess of 100 percent of the
5 appraised value of the property plus any initial serv-
6 ice charges, appraisal, inspection and other fees in
7 connection with the mortgage as approved by the
8 Secretary.”.

9 **SEC. 115. SAVINGS PROVISION.**

10 Any mortgage insured under title II of the National
11 Housing Act before the date of enactment of this title shall
12 continue to be governed by the laws, regulations, orders,
13 terms, and conditions to which it was subject to on the
14 day prior to the date of enactment of this title.

15 **SEC. 116. IMPLEMENTATION.**

16 (a) IN GENERAL.—The Secretary shall by notice es-
17 tablish any additional requirements that may be necessary
18 to immediately carry out the provisions of this title.

19 (b) EFFECT OF NOTICE.—Any notice required under
20 subsection (a) shall take effect upon the date of issuance
21 of such notice.

1 **TITLE** **II—MANUFACTURED**
2 **HOUSING MORTGAGE INSUR-**
3 **ANCE**

4 **SEC. 201. SHORT TITLE.**

5 This title may be cited as the “Federal Housing Ad-
6 ministration Manufactured Housing Loan Act of 2006”.

7 **SEC. 202. FINDINGS AND PURPOSES.**

8 (a) FINDINGS.—Congress finds that—

9 (1) manufactured housing plays a vital role in
10 providing housing for low- and moderate-income
11 families in the United States;

12 (2) the Federal Housing Administration title I
13 insurance program for manufactured home loans
14 traditionally has been a major provider of mortgage
15 insurance for home-only transactions;

16 (3) the manufactured housing market is in the
17 midst of a prolonged downturn which has resulted in
18 a severe contraction of traditional sources of private
19 lending for manufactured home purchases;

20 (4) during past downturns the Federal Housing
21 Administration title I insurance program for manu-
22 factured homes has filled the lending void by pro-
23 viding stability until the private markets could re-
24 cover;

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

4 (6) in 2004, fewer than 2,000 manufactured
5 housing loans were insured under title I;

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

9 (8) such problems with the title I program have
10 resulted in an atrophied market for manufactured
11 housing loans, leaving American families who have
12 the most difficulty achieving homeownership without
13 adequate financing options for home-only manufac-
14 tured home purchases.

15 (b) PURPOSES.—The purposes of this title are—

16 (1) to provide adequate funding for the Federal
17 Housing Administration-insured manufactured hous-
18 ing loans for low- and moderate-income homebuyers
19 during all economic cycles in the manufactured
20 housing industry;

21 (2) to modernize the Federal Housing Adminis-
22 tration title I insurance program for manufactured
23 housing loans to enhance participation by Ginnie
24 Mae and the private lending markets; and

1 (3) to adjust the low loan limits for title I man-
2 ufactured home loan insurance to reflect the increase
3 in costs since such limits were last increased in 1992
4 and to index such limits to inflation.

5 **SEC. 203. EXCEPTION TO LIMITATION ON FINANCIAL INSTI-**
6 **TUTION PORTFOLIO.**

7 (a) INSURANCE OF FINANCIAL INSTITUTIONS.—The
8 second sentence of section 2(a) of the National Housing
9 Act (12 U.S.C. 1703(a)) is amended—

10 (1) by striking “In no case” and inserting
11 “Other than in connection with a manufactured
12 home or a lot on which to place such a home (or
13 both), in no case”; and

14 (2) by striking the colon and inserting a period.

15 (b) CLARIFICATION.—The proviso in section 2(a) of
16 the National Housing Act (12 U.S.C. 1703(a)) is amended
17 by striking “*Provided*, that with” and inserting “With”.

18 **SEC. 204. INSURANCE BENEFITS.**

19 (a) MANUFACTURED HOUSING LOANS.—Section 2(b)
20 of the National Housing Act (12 U.S.C. 1703(b)), is
21 amended by adding at the end the following:

22 “(8) INSURANCE BENEFITS FOR MANUFAC-
23 TURED HOUSING LOANS.—Any contract of insurance
24 with respect to loans, advances of credit, or pur-
25 chases in connection with a manufactured home or

1 a lot on which to place a manufactured home (or
2 both) for a financial institution that is executed
3 under this title after the date of the enactment of
4 this provision by the Secretary shall be conclusive
5 evidence of the eligibility of such financial institution
6 for insurance, and the validity of any contract of in-
7 surance so executed shall be incontestable in the
8 hands of the bearer from the date of the execution
9 of such contract, except for fraud or misrepresenta-
10 tion on the part of such institution.”.

11 (b) APPLICABILITY.—The provisions of this section
12 shall only apply to loans that are registered or endorsed
13 for insurance after the date of enactment of this section.

14 **SEC. 205. MAXIMUM LOAN LIMITS.**

15 (a) DOLLAR AMOUNTS.—Section 2(b)(1) of the Na-
16 tional Housing Act (12 U.S.C. 1703(b)(1)) is amended—

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

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

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

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

1 (5) by realigning subparagraphs (C), (D), and
2 (E) 2 ems to the left so that the left margins of
3 such subparagraphs are aligned with the margins of
4 subparagraphs (A) and (B).

5 (b) ANNUAL INDEXING.—Section 2(b) of the Na-
6 tional Housing Act (12 U.S.C. 1703(b)), as amended by
7 section 204, is amended by adding at the end the fol-
8 lowing:

9 “(9) INDEXING.—

10 “(A) IN GENERAL.—The Secretary shall
11 develop a method of indexing in order to annu-
12 ally adjust the loan limits established in sub-
13 paragraphs (A)(ii), (C), (D), and (E) of this
14 subsection.

15 “(B) BASIS OF INDEX.—The index method
16 developed under subparagraph (A) shall be
17 based on the manufactured housing price data
18 collected by the United States Census Bureau.

19 “(C) TIMING.—The Secretary shall develop
20 the index method required under subparagraph
21 (A) not later than 1 year after the date of en-
22 actment of this paragraph.”.

23 (c) TECHNICAL AND CONFORMING CHANGES.—Sec-
24 tion 2(b)(1) of the National Housing Act (12 U.S.C.
25 1703(b)(1)) is amended—

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

4 (2) by adding the following flush text after sub-
5 paragraph (G):

6 “The Secretary shall, by regulation, increase the dollar
7 amount limitations in subparagraphs (A)(ii), (C), (D), and
8 (E) according to the index method developed in paragraph
9 (9).”.

10 **SEC. 206. INSURANCE PREMIUMS.**

11 Section 2(f) of the National Housing Act (12 U.S.C.
12 1703(f)) is amended—

13 (1) by striking “(f) The Secretary” and by in-
14 serting the following:

15 “(f) INSURANCE PREMIUMS.—

16 “(1) IN GENERAL.—The Secretary”; and

17 (2) by adding at the end the following:

18 “(2) MANUFACTURED HOME LOANS.—

19 “(A) PREMIUM STRUCTURE.—Notwith-
20 standing paragraph (1), in the case of a loan,
21 advance of credit, or purchase in connection
22 with a manufactured home or a lot on which to
23 place such a home (or both), the Secretary may
24 establish a mortgage insurance premium struc-
25 ture involving a single premium collected prior

1 to the insurance of the mortgage or periodic
2 payments, or both.

3 “(B) RATE.—The rate of premium for a
4 mortgage under subparagraph (A) may vary
5 during the mortgage term as long as the basis
6 for determining the variable rate is determined
7 prior to the execution of the mortgage.

8 “(C) CHANGE IN PREMIUMS.—The Sec-
9 retary may change a premium structure estab-
10 lished under this paragraph if the change is not
11 applied to any mortgage already executed.

12 “(D) NOTICE.—A premium structure shall
13 be established or changed under this paragraph
14 by providing notice to lenders and by providing
15 notice to Congress at least 30 days prior to the
16 date that the premium structure is to be estab-
17 lished or changed.”.

18 **SEC. 207. TECHNICAL CORRECTIONS.**

19 (a) DATES.—Section 2(a) of the National Housing
20 Act (12 U.S.C. 1703(a)) is amended—

21 (1) by striking “on and after July 1, 1939,”;

22 and

23 (2) by striking “made after August 2, 1954”.

1 (b) AUTHORITY OF THE SECRETARY.—Section 2(c)
2 of the National Housing Act (12 U.S.C. 1703(c)) is
3 amended to read as follows:

4 “(c) AUTHORITY OF THE SECRETARY.—

5 “(1) IN GENERAL.—Notwithstanding any other
6 provision of law, the Secretary is authorized—

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

22 “(B) to pursue to final collection, by way
23 of compromise or otherwise, all claims assigned
24 to or held by the Secretary and all legal or eq-
25 uitable rights accruing to the Secretary in con-

1 nection with the payment of such insurance, in-
2 cluding unpaid insurance premiums owed in
3 connection with insurance made available by
4 this title.

5 “(2) RULE OF CONSTRUCTION.—Section 3709
6 of the Revised Statutes shall not be construed to
7 apply to any contract of hazard insurance or to any
8 purchase or contract for services or supplies on ac-
9 count of such property if the amount thereof does
10 not exceed \$25,000.

11 “(3) DELEGATION OF POWER.—

12 “(A) IN GENERAL.—The power to convey
13 and to execute in the name of the Secretary,
14 deeds of conveyance, deeds of release, assign-
15 ments and satisfactions of mortgages, and any
16 other written instrument relating to real or per-
17 sonal property or any interest therein heretofore
18 or hereafter acquired by the Secretary pursuant
19 to the provisions of this title may be exercised
20 by an officer appointed by the Secretary with-
21 out the execution of any express delegation of
22 power or power of attorney.

23 “(B) RULE OF CONSTRUCTION.—Nothing
24 in this paragraph shall be construed to prevent
25 the Secretary from delegating such power by

1 order or by power of attorney, in the discretion
2 of the Secretary, to any officer or agent the
3 Secretary may appoint.”.

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