

103^D CONGRESS
1ST SESSION

H. R. 1123

To reduce losses under the single family and multifamily mortgage insurance programs under title II of the National Housing Act through modernization.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1993

Mr. SANTORUM (for himself, Mr. INGLIS of South Carolina, Mr. DOOLITTLE, and Mr. ZIMMER) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To reduce losses under the single family and multifamily mortgage insurance programs under title II of the National Housing Act through modernization.

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 Modernization
5 Act”.

6 **SEC. 2. FHA COMPUTER SYSTEM.**

7 (a) SELECTION.—

8 (1) IN GENERAL.—The Secretary of Housing
9 and Urban Development (in this Act referred to as

1 the “Secretary”) shall select a computer system
2 under this section (including appropriate mechanical,
3 electronic, and programming elements) for use in
4 administrating the single family and multifamily
5 housing mortgage insurance programs under title II
6 of the National Housing Act and shall use such sys-
7 tem to carry out the activities under subsection (b)
8 of this section.

9 (2) USE OF EXISTING SYSTEMS AND PRO-
10 GRAMS.—In selecting the computer system, the Sec-
11 retary shall survey and review various computer sys-
12 tems and programs that are commercially available
13 and used for processing housing and residential
14 mortgage applications. The Secretary shall identify
15 the programs, methods, and procedures that are
16 most effective and applicable for use under this sec-
17 tion.

18 (3) CONTRACT.—Pursuant to the survey and
19 review under paragraph (2), the Secretary shall, to
20 the extent or in such amounts as are provided in ap-
21 propriation Acts, enter into a contract with an ap-
22 propriate private entity for the use and adaptation
23 (if necessary) of the computer system that best
24 meets the specifications established under subsection
25 (b).

1 (b) REQUIREMENTS.—The computer system selected
2 under this section shall meet the specifications established
3 by the Secretary to carry out activities with respect to the
4 single family and multifamily housing mortgage insurance
5 programs under title II of the National Housing Act, as
6 follows:

7 (1) To administer the processing of applications
8 for mortgage insurance.

9 (2) To maintain and update any records and in-
10 formation maintained by the Secretary.

11 (3) To facilitate, coordinate, and simplify inter-
12 action between the Department of Housing and
13 Urban Development and mortgagees, including de-
14 termination of eligibility, review and certification of
15 underwriting, making insurance commitments and
16 endorsements, closing, and other mortgage insurance
17 activities.

18 (4) To monitor the performance of the Depart-
19 ment with respect to each function identified in the
20 performance standards established under section 4.

21 (5) To monitor the performance of mortgagees,
22 servicers, and other entities involved in the mortgage
23 insurance programs, entities to whom processing
24 functions have been delegated by the Secretary
25 under section 328 of the Cranston-Gonzalez Na-

1 tional Affordable Housing Act, and mortgagees ap-
2 proved for direct endorsement.

3 **SEC. 3. STUDY OF PRIVATE MANAGEMENT OF INSURANCE**
4 **PROGRAMS USING COMPUTER SYSTEM.**

5 (a) STUDY.—The Secretary shall conduct a study to
6 determine the effectiveness and feasibility of utilizing pri-
7 vate contractors to administer the single family and multi-
8 family housing mortgage insurance programs under the
9 National Housing Act using the computer system selected
10 under section 2. The study shall analyze whether the pur-
11 poses of the mortgage insurance programs would be car-
12 ried out more efficiently and economically by using con-
13 tractors with demonstrated capabilities to carry out the
14 mortgage insurance functions currently performed by the
15 staff of the Department of Housing and Urban Develop-
16 ment.

17 (b) REPORT.—The Secretary shall submit a report
18 regarding the study to the Congress not later than the
19 expiration of the 4-month period beginning on the date
20 of the enactment of this Act, which shall contain findings
21 and recommendations regarding the use and cost of pri-
22 vate contractors.

23 **SEC. 4. PERFORMANCE STANDARDS.**

24 The Secretary shall establish standards by which to
25 evaluate the performance of the Department of Housing

1 and Urban Development with respect to functions per-
2 formed by the Department in carrying out the single fam-
3 ily and multifamily housing mortgage insurance programs
4 under title II of the National Housing Act, including
5 standards for prompt servicing of applications, accuracy
6 of records, accounting for funds, prompt handling of delin-
7 quencies, and any other separately identifiable functions
8 performed by the Department in carrying out such pro-
9 grams.

10 **SEC. 5. PERIODIC REPORTS REGARDING CONTRACTOR**
11 **PERFORMANCE.**

12 Using information compiled and available through
13 the computer system selected under section 2, the Sec-
14 retary shall submit to the Congress a report for each cal-
15 endar year regarding the performance of mortgagees,
16 servicers, and contractors involved in the single family and
17 multifamily housing mortgage insurance programs under
18 title II of the National Housing Act, entities to whom
19 processing functions have been delegated by the Secretary
20 under section 328 of the Cranston-Gonzalez National Af-
21 fordable Housing Act, and mortgagees approved for direct
22 endorsement. Each report under this section shall be sub-
23 mitted not later than the March 31 of the year following
24 the year for which the report is made.

1 **SEC. 6. AUTHORIZATION OF APPROPRIATIONS.**

2 There is authorized to be appropriated to carry out
3 this Act \$10,000,000 for fiscal year 1994.

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