

104TH CONGRESS
2D SESSION

H. R. 3742

To increase the flexibility of and to streamline certain single family programs administered by the Federal Housing Administration, to reform the single family claims and property disposition procedures, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 1996

Mr. LAZIO of New York (by request) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To increase the flexibility of and to streamline certain single family programs administered by the Federal Housing Administration, to reform the single family claims and property disposition procedures, 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 AND TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “FHA Single Family Housing Reform Act of 1996”.

6 (b) **TABLE OF CONTENTS.**—

- Sec. 1. Short title and table of contents.
- Sec. 2. Implementation.

TITLE I—PRODUCT FLEXIBILITY AND INSURANCE

- Sec. 10. Alternative mortgage insurance premium structures.
- Sec. 11. Insurance of pioneering single family products.
- Sec. 12. Limitation on FHA insuring authority.

TITLE II—CLAIMS AND PROPERTY DISPOSITION REFORM
INITIATIVES

- Sec. 20. Single family claims reform.
- Sec. 21. Sale of acquired property.

TITLE III—STREAMLINING PROPOSALS

- Sec. 30. Authority to establish loan to value ratios and related changes to warranty requirement.
- Sec. 31. Delegation of insuring authority to DE mortgagees.
- Sec. 32. Authority to use amounts borrowed from family members for downpayments.
- Sec. 33. HECM program.
- Sec. 34. 100% condominium mortgage insurance for disasters.
- Sec. 35. Repeal of provision for fund payments to correct substantial defects.

1 SEC. 2. IMPLEMENTATION.

2 (a) ISSUANCE OF NECESSARY REGULATIONS.—Not-
3 withstanding 42 U.S.C. 3535(o) or 24 CFR part 10, the
4 Secretary shall issue such regulations as may be necessary
5 to implement any provision of this Act, and any amend-
6 ment made by this Act, in accordance with section 552
7 or 553 of title 5, United States Code, as determined by
8 the Secretary.

9 (b) USE OF EXISTING RULES.—In implementing any
10 provision of this Act, the Secretary may, in the Secretary's
11 discretion, provide for the use of existing rules to the ex-
12 tent appropriate, without the need for further rulemaking.

1 at least 30 days before the premium structure is estab-
2 lished or changed.

3 “(C) The Secretary shall consider the following when
4 establishing a premium structure under subparagraph (A)
5 or when changing such a premium structure—

6 “(i) the effect on the Secretary’s ability to meet
7 the operational goals of the Mutual Mortgage Insur-
8 ance Fund as provided in section 205(h), or the ef-
9 fect on the Secretary’s ability to insure mortgages
10 for low- and moderate-income homeowners under the
11 General Insurance Fund on a sound actuarial basis;

12 “(ii) the needs of first-time homebuyers and
13 homebuyers with limited ability to make
14 downpayments;

15 “(iii) the extent to which new pricing has poten-
16 tial for acceptance on the private market; and

17 “(iv) the administrative capability of the Sec-
18 retary to administer the proposed premium struc-
19 ture.

20 “(D) After a mortgage is insured, the mortgagor and
21 mortgagee shall have no right to a refund of any premium
22 amount established under subparagraph (A). If a mort-
23 gage is prepaid in full, the Secretary may refund to the
24 mortgagor all or part of any unearned premium charges
25 collected prior to the insurance of the mortgage.

1 “(E) The Secretary may defer the collection date for
2 all or any part of a premium due under a premium struc-
3 ture established under this paragraph, with or without col-
4 lecting interest on the deferred payment, until payment
5 of the mortgage in full or such other event as the Sec-
6 retary may prescribe.”.

7 **SEC. 11. INSURANCE OF PIONEERING SINGLE FAMILY**
8 **PRODUCTS.**

9 (a) IN GENERAL.—Title II of the National Housing
10 Act is amended by adding at the end the following new
11 section:

12 “INSURANCE OF PIONEERING SINGLE FAMILY PRODUCTS

13 “SEC. 256. (a) IN GENERAL.—The Secretary may
14 carry out demonstrations which have the potential to in-
15 crease homeownership opportunities through innovative
16 underwriting, premium structures, and insured mortgage
17 products. Demonstrations shall be consistent with the
18 goals of this Act.

19 “(b) PURPOSES.—The purposes of this section are
20 to—

21 “(1) expand opportunities for homeownership
22 through credit enhancement demonstrations;

23 “(2) address the unmet housing needs of Amer-
24 ican families and communities by supplementing pri-
25 vate sector activity;

1 “(3) better serve underserved markets through
2 research, developing, and testing new insurance
3 products and methods of delivering mortgage serv-
4 ices;

5 “(4) expand access to affordable housing on a
6 nondiscriminatory basis; and

7 “(5) improve the capacity of localities, States,
8 and for profit and non-profit entities to deliver hous-
9 ing credit to American families and communities.

10 “(c) DEMONSTRATION REQUIREMENTS.—In approv-
11 ing a demonstration under this section, the Secretary may
12 establish such requirements as the Secretary considers ap-
13 propriate to further the purposes of this section. The Sec-
14 retary shall determine the terms and conditions of insur-
15 ance, notwithstanding any provision of this Act.

16 “(d) TERM OF DEMONSTRATION.—Each demonstra-
17 tion may be approved for a term of up to 5 years. The
18 term of an insured mortgage or an activity carried out
19 under a demonstration may extend for a longer term, as
20 determined by the Secretary. The Secretary may termi-
21 nate any demonstration before the end of the approved
22 term if the Secretary deems such action necessary.

23 “(e) USE OF GENERAL INSURANCE FUND.—The in-
24 surance or reinsurance of a mortgage or pool of mortgages
25 by the Secretary under this section shall be an obligation

1 of the General Insurance Fund created pursuant to sec-
2 tion 519 of this Act.

3 “(f) PROGRAM LEVEL.—

4 “(1) ALL DEMONSTRATIONS.—The aggregate
5 number of mortgages insured under this section in
6 any fiscal year may not exceed 10 percent of the
7 number of single family mortgages insured by the
8 Secretary under this title in the current fiscal year.

9 “(2) EACH DEMONSTRATION.—The total num-
10 ber of mortgages insured under this section pursu-
11 ant to any one demonstration in any fiscal year may
12 not exceed 5 percent of the number of single family
13 mortgages insured under this title in the current fis-
14 cal year.

15 “(g) REPORTS.—

16 “(1) ANNUAL PROGRESS REPORT.—For each
17 demonstration carried out under this section, the
18 Secretary shall prepare an annual progress report.

19 “(2) REPORT FOLLOWING COMPLETION OF
20 EACH DEMONSTRATION.—The Secretary shall sub-
21 mit a report to Congress within 1 year after the
22 completion of each demonstration, describing the re-
23 sults of the demonstration and making any rec-
24 ommendations for legislation.”.

1 (b) EVALUATIONS.—The Secretary shall conduct
2 such evaluations of the demonstrations under section 257
3 of the National Housing Act as the Secretary deems ap-
4 propriate.

5 **SEC. 12. LIMITATION ON FHA INSURING AUTHORITY.**

6 Section 531(b) of the National Housing Act is
7 amended to read as follows:

8 “(b) Notwithstanding any other provision of law and
9 subject only to the absence of qualified requests for insur-
10 ance, to the authority provided in this Act, and to the limi-
11 tation in subsection (a), the Secretary shall enter into
12 commitments to insure mortgages under this Act with an
13 aggregate principal amount of \$127,400,000,000 during
14 fiscal year 1997 and such sums as may be necessary dur-
15 ing fiscal years 1998, 1999, and 2000.”.

16 **TITLE II—CLAIMS AND PROPERTY**

17 **DISPOSITION REFORM INITIATIVES**

18 **SEC. 20. SINGLE FAMILY CLAIMS REFORM.**

19 (a) REVISION OF CLAIMS PROCEDURES.—Section
20 204(a) of the National Housing Act (12 U.S.C. 1710(a))
21 is amended to read as follows:

22 “(a)(1) AUTHORIZED CLAIMS PROCEDURES.—The
23 Secretary is authorized, in accordance with this subsection
24 and terms and conditions prescribed by the Secretary, to
25 pay insurance benefits to the mortgagee as provided in

1 this paragraph through any of the methods described in
2 subsections (a)(1)(A)–(D) in connection with any mort-
3 gage insured under section 203 of this Act.

4 “(A) ASSIGNMENT OF MORTGAGE.—The Sec-
5 retary may pay insurance benefits whenever a mort-
6 gage has been in a monetary default for at least
7 three full monthly installments or whenever the
8 mortgagee is entitled to foreclose a mortgage for a
9 non-monetary default. Insurance benefits shall be
10 paid only upon the assignment, transfer and delivery
11 to the Secretary of—

12 “(i) all rights and interests arising under
13 the mortgage;

14 “(ii) all claims of the mortgagee against
15 the mortgagor or others arising out of the
16 mortgage transaction;

17 “(iii) title evidence satisfactory to the Sec-
18 retary; and

19 “(iv) such records relating to the mortgage
20 transaction as the Secretary may require.

21 “(B) CONVEYANCE OF TITLE TO PROPERTY.—
22 The Secretary may pay insurance benefits if the
23 mortgagee has acquired title to the mortgaged prop-
24 erty through foreclosure or has otherwise acquired

1 such property from the mortgagor after a default
2 upon—

3 “(i) the prompt conveyance to the Sec-
4 retary of title to the property which meets the
5 standards of the Secretary in force at the time
6 the mortgage was insured, and which is evi-
7 denced in the manner provided by such stand-
8 ards; and

9 “(ii) the assignment to the Secretary of all
10 claims of the mortgagee against the mortgagor
11 or others, arising out of the mortgage trans-
12 action or foreclosure proceedings, except such
13 claims as may have been released with the con-
14 sent of the Secretary.

15 The Secretary is authorized to permit the mortgagee
16 to tender to the Secretary a satisfactory conveyance
17 of title and transfer of possession direct from the
18 mortgagor or other appropriate grantor, and to pay
19 the insurance benefits to the mortgagee which it
20 would otherwise be entitled to if such conveyance
21 had been made to the mortgagee and from the mort-
22 gagee to the Secretary.

23 “(C) CLAIM WITHOUT CONVEYANCE OF
24 TITLE.—The Secretary may pay insurance benefits
25 upon sale of the mortgaged property at foreclosure

1 where such sale is for at least the fair market value
2 of the property (with appropriate adjustments), as
3 determined by the Secretary and upon assignment to
4 the Secretary of all claims referred to in clause (ii)
5 of subsection (a)(1)(B).

6 “(D) PRE-FORECLOSURE SALE.—The Secretary
7 may pay insurance benefits upon the sale of the
8 mortgaged property by the mortgagor after default
9 and the assignment to the Secretary of all claims re-
10 ferred to in clause (ii) of subsection (a)(1)(B), if—

11 “(i) the sale of the mortgaged property has
12 been approved by the Secretary;

13 “(ii) the mortgagee receives an amount at
14 least equal to the fair market value of the prop-
15 erty (with appropriate adjustments), as deter-
16 mined by the Secretary; and

17 “(iii) the mortgagor has received an appro-
18 priate disclosure, as determined by the Sec-
19 retary.

20 “(2) PAYMENT FOR LOSS MITIGATION.—The Sec-
21 retary may pay insurance benefits to the mortgagee to rec-
22 ompense the mortgagee for its actions to provide an alter-
23 native to foreclosure of a mortgage that is in default,
24 which actions may include such actions as special forbear-
25 ance, loan modification, and deeds in lieu of foreclosure,

1 all upon such terms and conditions as the mortgagee shall
2 determine in the mortgagee’s sole discretion within guide-
3 lines provided by the Secretary, but which may not include
4 assignment of a mortgage to the Secretary. For purposes
5 of the preceding sentence, no action authorized by the Sec-
6 retary and no action taken, nor any failure to act, by the
7 Secretary or the mortgagee shall be subject to judicial re-
8 view.

9 “(3) DETERMINING CLAIMS PROCEDURE.—The Sec-
10 retary shall publish guidelines for determining which of
11 the procedures for payment of insurance specified in sub-
12 sections (a)(1)(A)–(D) are available to a mortgagee when
13 it claims insurance benefits. At least one of the procedures
14 for payment of insurance benefits specified in subsection
15 (a)(1)(A) or (a)(1)(B) shall be available to a mortgagee
16 with respect to a mortgage, but the same procedure is not
17 required to be available for all of the mortgages held by
18 a mortgagee.

19 “(4) SERVICING ASSIGNED MORTGAGE.—If a mort-
20 gage is assigned to the Secretary under paragraph (1)(A),
21 the Secretary may permit the assigning mortgagee or its
22 servicer to continue to service the mortgage for reasonable
23 compensation and on terms and conditions determined by
24 the Secretary. Neither the Secretary nor any servicer of
25 the mortgage shall be required to forbear from collection

1 of amounts due under the mortgage or otherwise pursue
2 loss mitigation measures.

3 “(5) CALCULATING INSURANCE BENEFITS.—Insur-
4 ance benefits shall be paid as provided in section 520 of
5 this Act, and shall be equal to the original principal obliga-
6 tion of the mortgage which was unpaid on the date the
7 mortgage was assigned to the Secretary, or on the date
8 of the institution of foreclosure proceedings, or on the date
9 of the acquisition of the property after default other than
10 by foreclosure, or on the date of sale of the mortgaged
11 property by the mortgagor, with such additions and deduc-
12 tions as the Secretary deems appropriate.

13 “(6) FORBEARANCE AND RECASTING AFTER DE-
14 FAULT.—The mortgagee may, upon such terms and condi-
15 tions as the Secretary may prescribe—

16 “(A) extend the time for the curing of the de-
17 fault, and of the time for commencing foreclosure
18 proceedings or for otherwise acquiring title to the
19 mortgaged property to such time as the mortgagee
20 determines is necessary and desirable to enable the
21 mortgagor to complete the mortgage payments, in-
22 cluding an extension of time beyond the stated ma-
23 turity of the mortgage, and in the event of a subse-
24 quent foreclosure or acquisition of the property by
25 other means the Secretary is authorized to include

1 in the amount of insurance benefits an amount equal
2 to any unpaid mortgage interest; or

3 “(B) provide for a modification of the terms of
4 the mortgage for the purpose of recasting, over the
5 remaining term of the mortgage or over such longer
6 period pursuant to guidelines as may be prescribed
7 by the Secretary, the total unpaid amount then due,
8 with the modification to become effective currently
9 or to become effective upon the termination of an
10 agreed-upon extension of the period for curing the
11 default; and the principal amount of the mortgage,
12 as modified, shall be considered the ‘original prin-
13 cipal amount of the mortgage’ as that term is used
14 in this section for the purpose of computing the total
15 amount of insurance benefits.

16 “(7) TERMINATION OF PREMIUM OBLIGATION.—The
17 obligation of the mortgagee to pay the premium charges
18 for insurance shall cease upon fulfillment of the appro-
19 priate requirements under which the Secretary may pay
20 insurance benefits, as described in paragraph (1). The
21 Secretary may also terminate the mortgagee’s obligation
22 to pay mortgage insurance premiums upon receipt of an
23 application filed by the mortgagee for insurance benefits
24 under paragraph (1), or in the event the contract of insur-
25 ance is terminated pursuant to section 229 of this Act.

1 “(8) RELATIONSHIP TO SECTION 230.—Nothing in
2 this section shall limit the authority of the Secretary to
3 pay insurance benefits under section 230 of this Act.”.

4 (b) EFFECTIVE DATE.—The Secretary shall publish
5 a notice in the Federal Register stating the effective date
6 of the terms and conditions prescribed by the Secretary
7 under section 204(a)(1) of the National Housing Act, as
8 amended by this section. Sections 204(a) and (k) of the
9 National Housing Act as they existed immediately prior
10 to the effective date of the terms and conditions imple-
11 menting the amendment to subsection (a) made by this
12 Act shall continue to apply to any mortgage insured under
13 section 203 of the National Housing Act insured prior to
14 such date, except that the Secretary is authorized, at the
15 request of the mortgagee, to pay insurance benefits as pro-
16 vided in sections 204(a)(1)(A) and (D) of such Act and
17 to calculate insurance benefits in accordance with section
18 204(a)(6) of such Act.

19 (c) REDUNDANT PROVISION REPEALED.—Section
20 204(k) of the National Housing Act (12 U.S.C. 1710(k))
21 is hereby repealed.

22 **SEC. 21. SALE OF ACQUIRED PROPERTY.**

23 (a) AUTHORITY TO SELL.—Section 204(g) of the
24 National Housing Act is amended by adding at the end
25 the following: “Notwithstanding any other provision of

1 law, the Secretary may sell such property as referenced
 2 in the preceding sentence on such terms and conditions
 3 as the Secretary may prescribe.”.

4 (b) **AUTHORITY TO INSURE MORTGAGE.**—Section
 5 223(c) of the National Housing Act is amended by insert-
 6 ing after “sale by him” the following: “, including a sale
 7 through another entity under authority of the fourth sen-
 8 tence of section 204(g),”.

9 **TITLE III—STREAMLINING PROPOSALS**

10 **SEC. 30. AUTHORITY TO ESTABLISH LOAN TO VALUE RA-** 11 **TIOS AND RELATED CHANGES TO WARRANTY** 12 **REQUIREMENT.**

13 (a) **CHANGES TO ELIGIBILITY FOR MORTGAGE IN-**
 14 **SURANCE.**—Section 203(b) of the National Housing Act
 15 (12 U.S.C. 1709(b)) is amended—

16 (1) in paragraph (2), by striking subparagraph
 17 (B), including all of the matter following subpara-
 18 graph (B), and inserting in lieu thereof the follow-
 19 ing:

20 “(B) not to exceed an amount prescribed
 21 by the Secretary on the basis of the appraised
 22 value of the property.

23 For purposes of this subsection, the term ‘appraised
 24 value’ means the amount set forth in the written
 25 statement required under section 226, or a similar

1 amount determined by the Secretary if section 226
2 does not apply.”; and

3 (2) by revising paragraph (8) to read as follows:

4 “(8) Be limited to a residence for which the
5 purchaser or owner has received a construction war-
6 ranty from the seller or builder that is satisfactory
7 to the Secretary, whenever such a warranty is re-
8 quired by the Secretary, unless the residence was
9 completed more than one year prior to the applica-
10 tion for insurance.”.

11 (b) REPEAL OF SECTION 801 WARRANTY REQUIRE-
12 MENT.—Section 801 of the Housing Act of 1954 (12
13 U.S.C. 1701j–1) is hereby repealed.

14 **SEC. 31. DELEGATION OF INSURING AUTHORITY TO DIRECT**
15 **ENDORSEMENT MORTGAGEES.**

16 The National Housing Act, as amended by section 11
17 of this Act, is further amended by adding the following
18 new section at the end of title II:

19 “DELEGATION OF INSURING AUTHORITY TO DIRECT
20 ENDORSEMENT MORTGAGEES

21 “SEC. 257. The Secretary may delegate, to one or
22 more mortgagees approved by the Secretary under the di-
23 rect endorsement program, the authority of the Secretary
24 under this Act to insure mortgages involving property
25 upon which there is located a dwelling designed principally
26 for occupancy by one to four families. In determining

1 whether to delegate such authority to a mortgagee, the
2 Secretary shall take into account the experience and per-
3 formance of the mortgagee under the direct endorsement
4 program, the default rate of insured mortgages it has
5 originated compared to the default rate of all insured
6 mortgages in comparable markets, and such other factors
7 as the Secretary determines appropriate to minimize risk
8 of loss to the insurance funds under this Act.

9 “(b) If the Secretary determines that a mortgage in-
10 sured by a mortgagee pursuant to a delegation of author-
11 ity under this section was not originated in accordance
12 with the requirements of the Secretary, and the Secretary
13 pays an insurance claim with respect to the mortgage
14 within a reasonable period specified by the Secretary, the
15 Secretary may require the mortgagee approved under this
16 section to indemnify the Secretary for the loss. However,
17 if fraud or misrepresentation was involved in connection
18 with the origination, the Secretary may require the mort-
19 gagee approved under this section to indemnify the Sec-
20 retary for the loss regardless of when an insurance claim
21 is paid.

22 “(c) For a violation of requirements and procedures
23 established by the Secretary or for other good cause, the
24 Secretary may cancel a delegation of authority under this
25 section by giving notice to the mortgagee. The cancellation

1 shall be effective upon receipt of the notice by the mortga-
2 gee or at a later date specified by the Secretary. A decision
3 by the Secretary to cancel a delegation shall be final and
4 conclusive and shall not be subject to judicial review.

5 “(d) Before approving a delegation under this sec-
6 tion, the Secretary shall establish appropriate require-
7 ments and procedures, including requirements and proce-
8 dures governing the indemnification of the Secretary by
9 the mortgagee.”.

10 **SEC. 32. AUTHORITY TO USE AMOUNTS BORROWED FROM**
11 **FAMILY MEMBERS FOR DOWNPAYMENTS.**

12 (a) IN GENERAL.—Section 203(b)(9) of the National
13 Housing Act is amended by inserting before the period at
14 the end the following: “: *Provided further*, That for the
15 purposes of this paragraph, the Secretary shall consider
16 as cash or its equivalent any amounts borrowed from a
17 family member (as such term is defined in section 201)”.

18 (b) DEFINITION OF FAMILY MEMBER.—Section 201
19 of the National Housing Act is amended by adding at the
20 end the following new subsections:

21 “(e) The term ‘family member’ means, with respect
22 to a mortgagor under such section, a child, parent, or
23 grandparent of the mortgagor (or the mortgagor’s
24 spouse). In determining whether any of the relationships
25 referred to in the preceding sentence exist, a legally adopt-

1 ed son or daughter of an individual (and a child who is
2 a member of an individual’s household, if placed with such
3 individual by an authorized placement agency for legal
4 adoption by such individual), and a foster child of an indi-
5 vidual, shall be treated as a child of such individual by
6 blood.

7 “(f) The term ‘child’ means, with respect to a mort-
8 gagor under such section, a son, stepson, daughter, or
9 stepdaughter of such mortgagor.”.

10 **SEC. 33. HECM PROGRAM.**

11 (a) REMOVAL OF CERTAIN LIMITATIONS ON THE IN-
12 SURANCE OF HOME EQUITY CONVERSION MORTGAGES.—
13 Section 255(g) of the National Housing Act is amended
14 by striking the first and second sentences.

15 (b) PERMIT MORTGAGEE TO ARRANGE FOR
16 CONSUMER EDUCATION.—Section 255 of such Act, as
17 amended by this section, is further amended—

18 (1) by revising subsection (d)(2)(B) to read as
19 follows:

20 “(B) has received adequate consumer edu-
21 cation by a third party as provided in sub-
22 section (f); and”;

23 (2) by revising subsection (e)(1) to read as fol-
24 lows:

1 “(1) no later than the time of the loan applica-
2 tion, a disclosure form developed by the Secretary
3 and information regarding sources of the consumer
4 education required in subsection (d)(2)(B);”.

5 (3) in subsection (f)—

6 (A) by revising the first sentence to read
7 as follows: “The Secretary shall provide or
8 cause to be provided the consumer education re-
9 quired in subsection (d)(2)(B) and shall set
10 standards for providers of consumer education
11 to the extent considered necessary by the Sec-
12 retary.”; and

13 (B) by inserting after paragraph (5) the
14 following new sentence:

15 “Nothing in this section shall prevent the mortgagee from
16 requiring the mortgagor to provide reasonable compensa-
17 tion to the party that provided the consumer education
18 required in subsection (d)(2)(B), including reimbursement
19 from proceeds of the mortgage, as long as no payment
20 or other thing of value is given in violation of section 8
21 of the Real Estate Settlement Procedures Act.”

22 (c) OTHER APPROACHES TO CONSUMER EDU-
23 CATION.—The Secretary shall consult with consumer
24 groups, industry representatives, representatives of coun-
25 seling organizations, and other interested parties to iden-

1 tify approaches to consumer education other than the re-
2 quirements of section 255 of the National Housing Act
3 that may be feasible and desirable for home equity conver-
4 sion mortgages insured under section 255 and other types
5 of reverse mortgages. The Secretary may adopt, in lieu
6 of the consumer education required by section 255(f) of
7 the National Housing Act as amended by this section, al-
8 ternative approaches to consumer education that may be
9 developed as a result of such consultations.

10 (d) TECHNICAL AMENDMENTS.—Section 255 of such
11 Act, as amended by this section, is further amended—

12 (1) by striking “DEMONSTRATION” from the
13 title;

14 (2) in subsection (a), by striking “demonstra-
15 tion”; and

16 (3) in subsection (k)(4), by striking “dem-
17 onstration” and inserting in lieu thereof “program”.

18 **SEC. 34. 100 PERCENT CONDOMINIUM MORTGAGE INSUR-**
19 **ANCE FOR DISASTERS.**

20 The third sentence of section 234(c) of the National
21 Housing Act is amended by inserting after “203(b)(2)”
22 the following: “or pursuant to section 203(h) under the
23 conditions described in section 203(h)”.

1 **SEC. 35. REPEAL OF PROVISION FOR FUND PAYMENTS TO**
2 **CORRECT SUBSTANTIAL DEFECTS.**

3 Section 518 of the National Housing Act (12 U.S.C.
4 1735b) is hereby repealed.

○