

105TH CONGRESS  
1ST SESSION

# H. R. 2975

To establish the Federal Housing Corporation to provide mortgage credit to families, communities, and markets underserved by the conventional mortgage markets and ensure the stability of the national system for mortgage finance, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 8, 1997

Mr. VENTO introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To establish the Federal Housing Corporation to provide mortgage credit to families, communities, and markets underserved by the conventional mortgage markets and ensure the stability of the national system for mortgage finance, 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 “Federal Housing Corporation Charter Act”.

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

- Sec. 1. Short title and table of contents.
- Sec. 2. Congressional findings.
- Sec. 3. Definitions.

#### TITLE I—ORGANIZATION OF CORPORATION

- Sec. 101. Establishment.
- Sec. 102. Purposes.
- Sec. 103. General powers.
- Sec. 104. Board of directors.
- Sec. 105. Officers and employees.
- Sec. 106. Procurement.
- Sec. 107. Financial safety and soundness.
- Sec. 108. Annual budget, annual business plan, and Federal credit reform procedures.
- Sec. 109. Inspector general.
- Sec. 110. Applicability of laws.
- Sec. 111. GAO evaluation.
- Sec. 112. Authorization of appropriations.

#### TITLE II—BUSINESS OF CORPORATION

- Sec. 201. Transfer of FHA single family housing business.
- Sec. 202. New lines of business.
- Sec. 203. Limitations on mortgage amounts and aggregate business activity.
- Sec. 204. Public purpose performance requirements.

#### TITLE III—TRANSITION

- Sec. 301. Transition date and transition period.
- Sec. 302. Authority during transition period.
- Sec. 303. Repeal of FHA insurance authority.

#### TITLE IV—PROVISIONS RELATING TO GOVERNMENT NATIONAL MORTGAGE ASSOCIATION AND OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

- Sec. 401. GNMA authority.
- Sec. 402. Safety and soundness oversight of corporation by OFHEO.

### 1 **SEC. 2. CONGRESSIONAL FINDINGS.**

2       The Congress finds that—

- 3               (1) although the United States today has the
- 4       world’s most efficient system for the delivery of
- 5       home mortgage finance, too many hard-working
- 6       Americans—especially younger families, low-income
- 7       families, and residents of inner cities and high-cost
- 8       areas—are unable to attain the American dream of

1 homeownership, often because they are unable to ac-  
2 cumulate the savings necessary to buy a home or to  
3 qualify for conventional mortgage financing;

4 (2) despite the entry of the private sector into  
5 the rental housing mortgage capital delivery system,  
6 that system generally fails to meet the needs of  
7 many rental housing market niches, including the  
8 needs of providers of affordable rental housing;

9 (3) for the past 60 years, the Federal Housing  
10 Administration has made mortgage credit available  
11 to families and communities typically underserved by  
12 the conventional mortgage markets by pioneering  
13 new products to supplement and expand the reach of  
14 the private sector and by stabilizing regional and  
15 capital markets during economic downturns;

16 (4) after 60 years of operating, the FHA is a  
17 Fortune 100-sized operation that has over  
18 \$380,000,000,000 of current outstanding insurance-  
19 in-force, yet its effectiveness currently is limited by  
20 inflexibility in products and pricing, overly bureau-  
21 cratic structures and processes, inefficient resource  
22 allocation, and outdated technology, systems, and  
23 market strategies;

24 (5) there continues to be a need for a Federal  
25 instrumentality to provide mortgage credit to fami-

1 lies, communities, and markets underserved by the  
2 conventional mortgage markets and to ensure the  
3 stability of this Nation's system of housing finance;

4 (6) there continues to be a need for a Federal  
5 instrumentality to facilitate private financing for  
6 home ownership on reservations and in other Indian  
7 areas and to assist in eliminating barriers to pri-  
8 mary mortgage lending for housing on Native Amer-  
9 ican lands, including resolving issues regarding the  
10 trust lands, discrimination, and inapplicability of  
11 standard underwriting criteria, must be eliminated;  
12 and

13 (7) to operate effectively in the fast-paced hous-  
14 ing finance industry, this instrumentality must be  
15 organized as a streamlined, business-oriented, self-  
16 sustaining, and accountable government corporation,  
17 structured to achieve public purpose and safety and  
18 soundness performance goals.

19 **SEC. 3. DEFINITIONS.**

20 For purposes of this Act, the following definitions  
21 shall apply:

22 (1) CORPORATION.—The term “Corporation”  
23 means the Federal Housing Corporation established  
24 under this Act.

1           (2) HEALTH CARE FACILITY.—The term  
2 “health care facility” means a hospital, nursing  
3 home, or intermediate care facility.

4           (3) HOSPITAL.—The term “hospital” means a  
5 facility—

6                 (A) which provides community service for  
7 inpatient medical care of the sick or injured (in-  
8 cluding obstetric care);

9                 (B) not more than 50 percent of the total  
10 patient days of which during any year are cus-  
11 tomarily assignable to the categories of chronic  
12 convalescent and rest, drug and alcoholic, epi-  
13 leptic, mentally deficient, mental, nervous and  
14 mental, and tuberculosis; and

15                 (C) that is a public facility, proprietary fa-  
16 cility, or facility of a private nonprofit corpora-  
17 tion, or association, licensed or regulated by the  
18 State in which it is located (or, if there is no  
19 State law providing for such licensing or regula-  
20 tion by the State, by the municipality or other  
21 political subdivision in which the facility is lo-  
22 cated).

23           (4) INTERMEDIATE CARE FACILITY.—The term  
24 “intermediate care facility” means a proprietary fa-  
25 cility or facility of a private nonprofit corporation or

1 association licensed or regulated by the State in  
2 which it is located (or, if there is no State law pro-  
3 viding for such licensing and regulation by the State,  
4 by the municipality or other political subdivision in  
5 which it is located) for the accommodation of per-  
6 sons who, because of incapacitating infirmities, re-  
7 quire minimum but continuous care but are not in  
8 need of continuous medical or nursing services. The  
9 term includes additional facilities as may be author-  
10 ized by the Secretary for the nonresident care of el-  
11 derly individuals and others who are able to live  
12 independently but who require care during the day.

13 (5) MULTIFAMILY HOUSING.—The term “multi-  
14 family housing” means a property on which there is  
15 located a residence or project consisting of 5 or more  
16 dwelling units.

17 (6) NATIVE AMERICAN GOVERNMENT.—The  
18 term “Native American government” means the gov-  
19 ernment of any Indian or Alaska native tribe, band,  
20 nation, pueblo, village or community that the Sec-  
21 retary of the Interior acknowledges to exist as an In-  
22 dian tribe, pursuant to the Federally Recognized In-  
23 dian Tribe List Act of 1994.

24 (7) NURSING HOME.—The term “nursing  
25 home” means a public facility, proprietary facility,

1 or facility of a private nonprofit corporation or asso-  
2 ciation, licensed or regulated by the State in which  
3 it is located (or, if there is no State law providing  
4 for such licensing and regulation by the State, by  
5 the municipality or other political subdivision in  
6 which it is located), for the accommodation of con-  
7 valescents or other persons who are not acutely ill  
8 and not in need of hospital care but who require  
9 skilled nursing care and related medical services, in  
10 which such nursing care and medical services are  
11 prescribed by, or are performed under the general  
12 direction of, persons licensed to provide such care or  
13 services in accordance with the laws of the State  
14 where the facility is located. The term includes addi-  
15 tional facilities as may be authorized by the Sec-  
16 retary for the nonresident care of elderly individuals  
17 and others who are able to live independently but  
18 who require care during the day.

19 (8) SINGLE FAMILY HOUSING.—The term “sin-  
20 gle family housing” means a property on which there  
21 is located a 1- to 4-family residence.

22 (9) STATE.—The term “State” means the  
23 States of the United States, the District of Colum-  
24 bia, the Commonwealth of Puerto Rico, the Com-  
25 monwealth of the Northern Mariana Islands, Guam,

1 the Virgin Islands, American Samoa, and Native  
2 American governments (and lands subject to the ju-  
3 risdiction of such governments).

## 4 **TITLE I—ORGANIZATION OF** 5 **CORPORATION**

### 6 **SEC. 101. ESTABLISHMENT.**

7 (a) IN GENERAL.—There is hereby established within  
8 the Department of Housing and Urban Development a  
9 body corporate without capital stock to be known as the  
10 Federal Housing Corporation, which shall have succession  
11 until dissolved by Act of Congress.

12 (b) GOVERNMENT CORPORATION.—The Corporation  
13 is established as a wholly owned Government corporation  
14 subject to chapter 91 of title 31, United States Code (com-  
15 monly referred to as the Government Corporation Control  
16 Act), except as otherwise provided in this Act.

17 (c) FEDERAL AGENCY.—

18 (1) IN GENERAL.—The Corporation shall be an  
19 agency of the United States, except that the Cor-  
20 poration shall not be considered an agency for pur-  
21 poses of holding, managing, and disposing of assets  
22 acquired by the Corporation under the provisions of  
23 this title or title II.

24 (2) PROPERTY DISPOSITION AUTHORITY.—For  
25 purposes of this subsection, the term “holding, man-

1 aging, and disposing of assets” includes the powers  
2 to—

3 (A) deal with, complete, reconstruct, rent,  
4 renovate, modernize, insure, make contracts for  
5 the management of, establish suitable agencies  
6 for the management of, or exercise discretion to  
7 sell for cash or credit or lease, any acquired  
8 property;

9 (B) pursue collection by way of com-  
10 promise or otherwise all assigned and trans-  
11 ferred claims; and

12 (C) at any time, upon default, foreclose on  
13 any property secured by any assigned or trans-  
14 ferred mortgage.

15 (d) SELF-SUPPORTING ENTITY.—The Corporation  
16 shall operate and conduct its business as a self-supporting  
17 entity.

18 (e) CORPORATE OFFICES AND RESIDENCY.—The  
19 Corporation shall maintain its principal office in the Dis-  
20 trict of Columbia and shall be deemed, for purposes of  
21 venue in civil actions, to be a resident of the District of  
22 Columbia. The Corporation may establish other officers in  
23 such other places as the Corporation considers appropriate  
24 in the conduct of its business.

1 (f) TAX STATUS.—The Corporation, including its  
2 franchise, activities, income, and assets, shall be exempt  
3 from all taxation now or hereafter imposed by any taxing  
4 authority in the United States, except that any real prop-  
5 erty of the Corporation (other than real property that the  
6 Corporation uses as an office) shall be subject to taxation  
7 to the same extent according to its value as any taxing  
8 authority taxes other real property.

9 (g) PROTECTION OF NAME.—

10 (1) IN GENERAL.—Except as provided in para-  
11 graph (2), no person, except the body corporate es-  
12 tablished under this section shall, after the date of  
13 the enactment of this Act, use the words “Federal  
14 Housing Corporation” or the initials “FHC” as the  
15 name or part thereof under which such person shall  
16 do business.

17 (2) EXCEPTION.—Paragraph (1) shall not  
18 apply to any name under which business is being  
19 done on the date of the enactment of this Act.

20 (3) JURISDICTION AND REMEDIES.—Violations  
21 of paragraph (1) may be enjoined by any court of  
22 general jurisdiction at the suit of the Corporation.  
23 In any such suit, the Corporation may recover any  
24 actual damages flowing from such violation, and, in  
25 addition, shall be entitled to punitive damages (re-

1        regardless of the existence or nonexistence of actual  
2        damages) of not more than \$100 for each day dur-  
3        ing which such violation is committed or repeated.

4        **SEC. 102. PURPOSES.**

5        The Corporation is established for the following pur-  
6        poses:

7                (1) To expand the opportunities in the States  
8        for single family homeownership and affordable rent-  
9        al housing through the provision of mortgage insur-  
10        ance and credit enhancement products and related  
11        activities, which may include full or partial insurance  
12        and insurance under risk-sharing agreements.

13                (2) To address the unmet single family and  
14        multifamily housing credit needs of families and  
15        communities in the States.

16                (3) To address the unmet health care facility  
17        credit needs of families and communities in the  
18        States.

19                (4) To supplement and expand private sector  
20        housing and health care facility activity in the States  
21        by better serving underserved markets, testing new  
22        products, and filling gaps in the provision and deliv-  
23        ery of mortgage credit.

24                (5) To deliver mortgage insurance and credit  
25        enhancement products and provide other services in

1 the States in a non-discriminatory manner and to  
2 administer its business in a manner that affirma-  
3 tively furthers fair housing.

4 (6) To engage in research, development, and  
5 testing of new products designed to make housing  
6 and health care facility credit available to under-  
7 served markets in the States, including primary  
8 mortgage lending for dwellings located on Native  
9 American lands.

10 (7) To promote liquidity and provide stability to  
11 the housing and health care facility finance markets,  
12 by continuing to provide mortgage insurance and  
13 credit enhancement products in the States on a  
14 sound basis during times of regional and national  
15 economic downturn.

16 (8) To increase the capacity of localities,  
17 States, and private and nonprofit entities to expand  
18 access to decent and affordable housing and health  
19 care facilities and to deliver credit for housing and  
20 health care facility financing to families and commu-  
21 nities in the United States.

22 **SEC. 103. GENERAL POWERS.**

23 To further the purposes of this Act, in accordance  
24 with chapter 91 of title 31 of the United States Code (re-  
25 lating to government corporations), the Corporation—

1           (1) may adopt, amend, and repeal bylaws, and  
2 other written administrative guidance;

3           (2) may adopt, alter, and use a corporate seal,  
4 which shall be judicially noted;

5           (3) may enhance and make commitments to en-  
6 hance credit to the extent authorized under this Act,  
7 including commitments to insure, reinsure, advance,  
8 incur liabilities, pool loans, and enter into risk-shar-  
9 ing arrangements to the extent provided in title II;

10          (4) may acquire, hold, use, improve, deal in, or  
11 dispose of, by any means, any interests in any real  
12 property or any personal property;

13          (5) may execute contracts, make grants, and  
14 make other agreements in its own name, with any  
15 agency, public or private entity, or person, and carry  
16 out any lawful requirement of such contracts,  
17 grants, or other agreements;

18          (6) may take any actions (including the restruc-  
19 turing of debt) that the Corporation determines are  
20 necessary to manage the Corporation's portfolio of  
21 property, assets, and obligations;

22          (7) may, to the extent authorized under this  
23 Act—

24                (A) create and supply any product or serv-  
25                ice consistent with its corporate purposes;

1 (B) collect, generate, and make available  
2 any information relevant to the provision of sin-  
3 gle family and multifamily housing credit and  
4 health care facility credit; and

5 (C) assess fees and charges for such prod-  
6 ucts, information, and services in an amount, as  
7 determined by the Corporation, that does not  
8 exceed their value in the market and that per-  
9 mits the Corporation to comply with the re-  
10 quirements under section 101(d) (regarding  
11 self-supporting operation), section 204 (regard-  
12 ing public purposes), and subtitle F of the  
13 Housing and Community Development Act of  
14 1992 (regarding safety and soundness);

15 (8) may, in connection with supplying products  
16 and services of the Corporation, provide or arrange  
17 for pre- and post-purchase foreclosure prevention  
18 counseling as determined appropriate by the Cor-  
19 poration;

20 (9) may insulate any product, line, or service  
21 from any other, by creating distinct insurance funds  
22 or other devices to segregate or permit limitations on  
23 liability for business activities or accounts;

24 (10) shall require, to the extent determined ap-  
25 propriate by the Secretary, that each structure sub-

1       ject to a mortgage for which mortgage insurance is  
2       provided by the Corporation be inspected to ensure  
3       the structure does not pose health and safety risks;

4           (11) may qualify any person or entity to engage  
5       in business with the Corporation and enforce and  
6       impose penalties for the breach of any duties, obliga-  
7       tions, and other commitments made by such persons  
8       or entities;

9           (12) shall take actions necessary to administer  
10      its business in a manner which is nondiscriminatory  
11      and which affirmatively furthers fair housing;

12          (13) shall have the power, in its corporate  
13      name, to sue and be sued, and to complain and de-  
14      fend, in any court of competent jurisdiction, State or  
15      Federal, but no attachment, garnishment, injunc-  
16      tion, or other similar process, mesne or final, shall  
17      be issued against the property of the Corporation or  
18      against the Corporation with respect to its property,  
19      and the Corporation shall not be liable for interest  
20      prior to judgment, for punitive or exemplary dam-  
21      ages, for penalties, or for claims based upon unjust  
22      enrichment, quasi-contract, or contracts implied-in-  
23      law, nor shall the Corporation be subject to trial by  
24      jury;

1           (14) notwithstanding any other provision of  
2 law—

3           (A) shall be an agency of the Federal Gov-  
4 ernment, and the officers and employees of the  
5 Corporation shall be officers and employees of  
6 the Federal Government, for purposes of part  
7 IV of title 28, United States Code;

8           (B) shall have all civil actions to which the  
9 Corporation is a party deemed to arise under  
10 the laws of the United States; and

11           (C) may, at any time before trial and with-  
12 out bond or security, remove any civil or crimi-  
13 nal action or proceeding in a State court to  
14 which the Corporation is a party to the United  
15 States district court for the District of Colum-  
16 bia or to the United States district court with  
17 jurisdiction over the place where the civil action  
18 or proceeding is pending, by following any pro-  
19 cedure for removal of actions in effect at the  
20 time of such removal;

21           (15) may—

22           (A) accept and use voluntary and uncom-  
23 pensated services and accept, hold, administer,  
24 and use gifts and bequests of property, both

1 real and personal, for the purpose of aiding or  
2 facilitating the work of the Corporation; and

3 (B) hold gifts and bequests of money and  
4 the proceeds from sales of other property re-  
5 ceived as gifts or bequests in a separate ac-  
6 count, and such amounts shall be disbursed as  
7 determined by the Corporation:

8 except that property accepted pursuant to this para-  
9 graph, and the proceeds thereof, shall be used as  
10 nearly as possible in accordance with the terms of  
11 the gift or bequest and, for the purpose of Federal  
12 income, estate, and gift taxes, property accepted  
13 under this paragraph shall be considered as a gift or  
14 bequest to or for the use of the United States;

15 (16) shall have any transaction in which it par-  
16 ticipates be exempt from the terms of any State or  
17 other law or prohibition against payment of usurious  
18 interest;

19 (17) may act as a fiduciary in connection with  
20 any of its undertakings;

21 (18) may foreclose any single family and multi-  
22 family housing mortgages held by the Corporation  
23 pursuant to the same procedures applicable to the  
24 Secretary under the Single Family Mortgage Fore-

1 closure Act of 1994 and the Multifamily Mortgage  
2 Foreclosure Act of 1981, respectively;

3 (19) shall have the priority of the United States  
4 with respect to the payment of debts out of bank-  
5 rupt, insolvent, and decedents' estates;

6 (20) may invest in systems, technology, or other  
7 capital resources, to enhance its ability to carry out  
8 the purposes of this Act; and

9 (21) shall have and exercise all powers nec-  
10 essary or appropriate to effect any purposes of this  
11 Act, including the power to carry out any authority  
12 transferred to the Corporation under this Act or oth-  
13 erwise transferred to the Corporation by the Sec-  
14 retary.

15 **SEC. 104. BOARD OF DIRECTORS.**

16 (a) IN GENERAL.—The powers of the Corporation  
17 shall be vested in the Board of Directors of the Corpora-  
18 tion.

19 (b) APPOINTMENT.—The Board of Directors shall  
20 consist of—

21 (1) the Secretary of Housing and Urban Devel-  
22 opment (or the designee of the Secretary); and

23 (2) 8 other individuals appointed by the Presi-  
24 dent by and with the advise and consent of the Sen-  
25 ate.

1 The Secretary shall be the chairperson of the Board.

2 (c) QUALIFICATIONS.—Members of the Board of Di-  
3 rectors appointed under subsection (b)(2) shall be citizens  
4 of the United States. The Board of Directors shall at all  
5 times include as members not less than—

6 (1) 1 individual from the mortgage finance in-  
7 dustry;

8 (2) 1 individual from the housing development  
9 industry;

10 (3) 1 individual with knowledge and experience  
11 regarding secondary mortgage market activities;

12 (4) 1 individual with knowledge and experience  
13 regarding home sales;

14 (5) 1 individual with knowledge and experience  
15 regarding housing asset management;

16 (6) 1 individual from a State or local housing  
17 agency engaged in housing activities;

18 (7) 1 individual who represents consumer or  
19 community interests in housing; and

20 (8) 1 individual who represents or resides in an  
21 urban or rural neighborhood whose population con-  
22 sists predominantly of members of minorities.

23 The members of the Board shall be selected so that at  
24 all times the membership of the Board includes a reason-

1 ably equivalent number of members with experience re-  
2 garding single family housing and multifamily housing.

3 (d) TERMS.—

4 (1) IN GENERAL.—Each member of the Board  
5 of Directors under subsection (b)(2) shall be ap-  
6 pointed for a term of 6 years, except as provided in  
7 paragraphs (2) and (3).

8 (2) TERMS OF INITIAL APPOINTEES.—As des-  
9 ignated by the President at the time of appointment,  
10 of the members first appointed—

11 (A) 3 shall be appointed for terms of 2  
12 years; and

13 (B) 3 shall be appointed for terms of 4  
14 years.

15 (3) VACANCIES.—Any member appointed to fill  
16 a vacancy occurring before the expiration of the  
17 term for which the member's predecessor was ap-  
18 pointed shall be appointed only for the remainder of  
19 that term. A member may serve after the expiration  
20 of that member's term until a successor has taken  
21 office. A vacancy in the Board shall be filled in the  
22 manner in which the original appointment was  
23 made.

24 (e) MEETINGS AND QUORUM.—The Board of Direc-  
25 tors shall meet at any time pursuant to the call of the

1 Chairperson or a majority of its members and as provided  
2 by the bylaws of the Corporation, but not less than quar-  
3 terly. 6 members of the Board shall constitute a quorum.

4 (f) POWERS.—The Board of Directors shall be re-  
5 sponsible for the general management of the Corporation  
6 and shall have the same authority, privileges, and respon-  
7 sibilities as the board of directors of a private corporation  
8 incorporated under the District of Columbia Business Cor-  
9 poration Act.

10 (g) COMPENSATION.—Members of the Board of Di-  
11 rectors shall serve on a part-time basis and shall serve  
12 without pay.

13 (h) TRAVEL EXPENSES.—Each member shall receive  
14 travel expenses, including per diem in lieu of subsistence,  
15 in accordance with sections 5702 and 5703 of title 5,  
16 United States Code.

17 **SEC. 105. OFFICERS AND EMPLOYEES.**

18 (a) APPOINTMENT OF OFFICERS.—The Board of Di-  
19 rectors of the Corporation shall appoint a president and  
20 vice president of the Corporation, and such other officers  
21 as are provided for in the bylaws of the Corporation.

22 (b) APPOINTMENT OF EMPLOYEES.—The Board of  
23 Directors shall appoint such other employees of the Cor-  
24 poration as the Board considers necessary for the trans-  
25 action of its business.

1 (c) COMPENSATION, DUTIES, AND REMOVAL.—

2 (1) IN GENERAL.—The Board of Directors shall  
3 fix the compensation of all officers and employees of  
4 the Corporation, define their duties, and provide a  
5 system of management and organization to fix re-  
6 sponsibility and promote efficiency.

7 (2) CONSIDERATIONS IN FIXING COMPENSA-  
8 TION.—No officer or employee of the Corporation  
9 may receive pay in excess of the annual rate of basic  
10 pay payable for level III of the Executive Schedule.

11 (d) PRINCIPLES GOVERNING PERSONNEL MANAGE-  
12 MENT.—The Board shall ensure that the system of organi-  
13 zation, compensation, and management for personnel is  
14 consistent with the principles under section 2301(b) of  
15 title 5, United States Code (regarding merit system prin-  
16 ciples).

17 (e) APPLICABILITY OF CERTAIN CIVIL SERVICE  
18 LAWS.—The officers and employees of the Corporation  
19 shall be appointed without regard to the provisions of title  
20 5, United States Code, governing appointments in the  
21 competitive service, and may be paid without regard to  
22 the provisions of chapter 51 and subchapter III of chapter  
23 53 of that title relating to classification and General  
24 Schedule pay rates.

1           (f) USE OF FEDERAL AGENCIES.—In carrying out its  
2 purposes, the Corporation may use information, services,  
3 staff, and facilities of any executive agency, independent  
4 agency, or department (including the Department of  
5 Housing and Urban Development), with the consent of the  
6 agency or department, and shall reimburse the agency or  
7 department for the cost of such information, services,  
8 staff, and facilities.

9           (g) INDEMNIFICATION.—The Corporation may pro-  
10 vide for the indemnification of any officer, employee, con-  
11 tractor, or agent of the Corporation on such terms as the  
12 Corporation determines proper, except that, to the extent  
13 that the Corporation self-insures for any indemnifica-  
14 tion—

15           (1) the aggregate maximum amount of all in-  
16 demnifications outstanding at any time shall not ex-  
17 ceed 5 percent of the required capital level deter-  
18 mined under section 1393 of the Federal Housing  
19 Enterprises Financial Safety and Soundness Act of  
20 1992 by the Director of the Office of Federal Hous-  
21 ing Enterprise Oversight; and

22           (2) no more than \$1,000,000 may be paid as  
23 an indemnity for any single event.

1 **SEC. 106. PROCUREMENT.**

2 (a) IN GENERAL.—The Board shall establish an eco-  
3 nomical and results-oriented system for procurement, sup-  
4 ply, and disposition by the Corporation of personal prop-  
5 erty and nonpersonal services, which shall include per-  
6 formance measures and standards for determining the ex-  
7 tent to which the Corporation’s procurement of property  
8 and services satisfies the objective for which the procure-  
9 ment was undertaken. The system shall be consistent with  
10 the principles of impartiality and competitiveness.

11 (b) CONSIDERATION OF FEDERAL PROCUREMENT  
12 SYSTEM.—In establishing the system for procurement,  
13 supply, and disposition under this subsection, the Board  
14 shall take into consideration—

15 (1) the requirements under the Federal Prop-  
16 erty and Administrative Services Act of 1949 and  
17 the appropriateness or inappropriateness of adopting  
18 identical or similar procedures for the Corporation;  
19 and

20 (2) any experience of the Department of Hous-  
21 ing and Urban Development in complying with such  
22 Act in procurement, supply, and disposition activities  
23 relating to the single family and multifamily mort-  
24 gage insurance programs and health care facility  
25 mortgage insurance programs under the National  
26 Housing Act.

1 (c) EXEMPTION FROM FEDERAL PROPERTY AND AD-  
2 MINISTRATIVE SERVICE ACT PROVISIONS.—Section  
3 602(d) of the Federal Property and Administrative Serv-  
4 ices Act of 1949 (40 U.S.C. 474) is amended—

5 (1) in paragraph (20), by striking “and” at the  
6 end;

7 (2) in paragraph (21), by striking the period at  
8 the end and inserting “; and”; and

9 (3) by adding at the end the following new  
10 paragraph:

11 “(22) The Federal Housing Corporation.”.

12 (d) EXEMPTION FROM PROCUREMENT PROTEST  
13 SYSTEM.—Subchapter V of chapter 35 of title 31, United  
14 States Code, relating to the procurement protest system,  
15 shall not apply to the Corporation.

16 **SEC. 107. FINANCIAL SAFETY AND SOUNDNESS.**

17 The Director of the Office of Federal Housing Enter-  
18 prise Oversight shall oversee the financial safety and  
19 soundness of the Corporation, pursuant to subtitle F of  
20 the Federal Housing Enterprises Financial Safety and  
21 Soundness Act of 1992.

22 **SEC. 108. ANNUAL BUDGET, ANNUAL BUSINESS PLAN, AND**  
23 **FEDERAL CREDIT REFORM PROCEDURES.**

24 (a) ANNUAL BUSINESS PLAN.—The Corporation  
25 shall establish a business plan on an annual basis and

1 shall make such plan available for review by the Congress  
2 and the President. Such plan shall specify the product and  
3 operational strategy of the Corporation, including plans  
4 to address compliance with the safety and soundness re-  
5 quirements applicable to the Corporation.

6 (b) SUBMISSION TO OFHEO.—For each year, the  
7 Corporation shall submit the annual budget for the Cor-  
8 poration prepared pursuant to section 9103 of title 31,  
9 United States Code, and its annual business plan to the  
10 Director of the Office of Federal Housing Enterprise  
11 Oversight. Such submission shall be made by a date suffi-  
12 cient to enable the Director to produce, pursuant to sec-  
13 tion 1392(c) of the Federal Housing Enterprises Financial  
14 Safety and Soundness Act of 1992, the credit subsidy cost  
15 estimates that are required for the budget of the United  
16 States Government under section 1105(a) of title 31,  
17 United States Code.

18 (c) SUBMISSION TO OMB.—For purposes of inclusion  
19 in annual United States Government budget referred to  
20 in subsection (b), the Corporation shall submit its annual  
21 budget and annual credit subsidy cost estimates produced  
22 pursuant to section 1392(c) of the Federal Housing En-  
23 terprises Financial Safety and Soundness Act of 1992 to  
24 the Director of the Office of Management and Budget.

25 (d) RESERVES.—

1           (1) ESTABLISHMENT.—The Corporation may  
2           establish any reserve that the Corporation deter-  
3           mines is necessary for the business operations of the  
4           Corporation.

5           (2) AMOUNTS.—The Corporation may hold as a  
6           reserve in any financing account, as defined in sec-  
7           tion 502 of the Congressional Budget Act of 1974,  
8           such amounts as the Corporation considers nec-  
9           essary to comply with the capital requirements es-  
10          tablished for the Corporation under subtitle F of the  
11          Federal Housing Enterprises Financial Safety and  
12          Soundness Act of 1992 and to fulfill the purposes of  
13          this Act.

14 **SEC. 109. INSPECTOR GENERAL.**

15          Section 11 of the Inspector General Act of 1978 (5  
16 U.S.C. App.) is amended—

17               (1) in paragraph (1), by inserting after “Fed-  
18               eral Deposit Insurance Corporation;” the following:  
19               “the president of the Federal Housing Corpora-  
20               tion;”; and

21               (2) in paragraph (2)—

22                       (A) by inserting after “Housing and Urban  
23                       Development (excluding the Federal Housing  
24                       Corporation)”; and

1 (B) by inserting after “United States In-  
2 formation Agency,” the following: “the Federal  
3 Housing Corporation,”.

4 **SEC. 110. APPLICABILITY OF LAWS.**

5 (a) GOVERNMENT CORPORATION CONTROL ACT.—  
6 Section 9101(3) of title 31, United States Code, is amend-  
7 ed by adding at the end the following new subparagraph:  
8 “(R) the Federal Housing Corporation.”.

9 (b) TAX EXEMPT STATUS OF CORPORATION.—Sec-  
10 tion 501(l) of the Internal Revenue Code of 1986 (26  
11 U.S.C. 501(l)) is amended by adding at the end the follow-  
12 ing new paragraph:

13 “(4) The Federal Housing Corporation estab-  
14 lished under the Federal Housing Corporation Char-  
15 ter Act.”.

16 (c) EXEMPTION FROM NOTICE AND COMMENT  
17 RULEMAKING.—Any matter relating to mortgage insur-  
18 ance, credit enhancement, or other business activities of  
19 the Corporation authorized under this Act shall be consid-  
20 ered a matter relating to agency management or personnel  
21 or to public property, loans, grants, benefits, or contracts,  
22 for purposes of section 553(a) of title 5, United States  
23 Code.

24 (d) SUBSIDY LAYERING.—For purposes of section  
25 102(d) of the Department of Housing and Urban Develop-

1 ment Reform Act of 1989, mortgage insurance and credit  
2 enhancement under this Act may not be construed as as-  
3 sistance within the jurisdiction of the Department.

4 (e) CONFORMING AMENDMENT RELATING TO USURY  
5 EXEMPTION FOR VETERANS LOANS.—Section 3728 of  
6 title 38, United States Code, is amended by inserting after  
7 “National Housing Act” the following: “, or are insured  
8 or credit-enhanced under the Federal Housing Corpora-  
9 tion Charter Act,”.

10 **SEC. 111. GAO EVALUATION.**

11 (a) IN GENERAL.—The Comptroller General of the  
12 United States shall conduct a study and submit a report  
13 to the President and the Congress on—

14 (1) whether this Act provides sufficient author-  
15 ity to permit the Corporation to accomplish its pub-  
16 lic purposes efficiently and effectively, and in a safe  
17 and sound manner;

18 (2) the impact of the limitations on business ac-  
19 tivities as to mortgage amounts and aggregate com-  
20 mitments, and any other statutory limitations, on  
21 the current and anticipated business activity of the  
22 Corporation; and

23 (3) whether the safety and soundness and other  
24 requirements under this Act and the Federal Hous-  
25 ing Enterprises Financial Safety and Soundness Act

1 of 1992 appropriately provide that the Corporation  
2 will be operated in a safe and sound manner and will  
3 fulfill the public purposes of its establishment.

4 (b) TIMING.—The report required by this section  
5 shall be submitted on the third January 1st occurring  
6 after the transition date under section 301.

7 **SEC. 112. AUTHORIZATION OF APPROPRIATIONS.**

8 (a) INITIAL CAPITALIZATION.—There is authorized  
9 to be appropriated to the Corporation such sums as may  
10 be necessary for the initial capitalization of the Corpora-  
11 tion. Any amounts appropriated pursuant to this sub-  
12 section shall remain available until expended.

13 (b) OPERATIONS.—There is authorized to be appro-  
14 priated for each fiscal year to the Corporation, for the con-  
15 duct of the operations of the Corporation under this  
16 title—

17 (1) an amount not exceeding the amount of the  
18 negative subsidy credited to the negative subsidy re-  
19 ceipt account for the Corporation; and

20 (2) in addition to the amount under paragraph  
21 (1), to the extent such amount is not sufficient for  
22 such operations, such additional sums as may be  
23 necessary.

24 Any amounts appropriated pursuant to this subsection are  
25 authorized to remain available until expended.

1           (c) SEPARATE APPROPRIATIONS FOR SEPARATELY  
2 AUTHORIZED ACTIVITIES.—

3           (1) IN GENERAL.—There are authorized to be  
4 appropriated such sums as may be necessary, which  
5 are authorized to remain available without fiscal  
6 year limitation, for the Corporation to carry out any  
7 program or activity the conduct of which is sepa-  
8 rately authorized under a Federal law.

9           (2) LIMITATION OF ACTIVITIES.—The Corpora-  
10 tion may not undertake any program or activity de-  
11 scribed in paragraph (1) if the Corporation has not  
12 been appropriated amounts that the Secretary deter-  
13 mines are sufficient to carry out such program or  
14 activity.

15           (3) BUDGET ACT COMPLIANCE.—Any appro-  
16 priations of amounts necessary to comply with the  
17 Federal Credit Reform Act of 1990 for the Corpora-  
18 tion to conduct any separately authorized program  
19 or activity shall be enacted in appropriation laws.

20           (4) TREATMENT OF FHA AUTHORITY.—Any  
21 program or activity carried out by the Corporation  
22 pursuant to transfer by the Secretary of Housing  
23 and Urban Development of authority existing under  
24 a provision of law that was enacted before the date  
25 of the enactment of this Act shall be considered a

1 separately authorized program or activity for pur-  
 2 poses of this subsection; except that the programs  
 3 referred to in section 201(d) shall not be considered  
 4 a separately authorized program.

5 (b) FUNDING OF CLAIMS.—Amounts credited to the  
 6 financing account of the Corporation, established pursu-  
 7 ant to title V of the Congressional Budget Act of 1974,  
 8 shall be permanently and indefinitely available for pay-  
 9 ment of any claim that the Corporation approves under  
 10 a contract of insurance or other credit enhancement in-  
 11 strument under this Act. To the extent that such amounts  
 12 are insufficient for such purpose, the Corporation may  
 13 borrow from the Treasury pursuant to title V of the Con-  
 14 gressional Budget Act of 1974.

## 15 **TITLE II—BUSINESS OF** 16 **CORPORATION**

### 17 **SEC. 201. TRANSFER OF FHA SINGLE FAMILY HOUSING** 18 **BUSINESS.**

19 (a) IN GENERAL.—After the transition date under  
 20 section 301—

21 (1) the Corporation shall carry out programs to  
 22 insure mortgages on single family and multifamily  
 23 housing and health care facilities, which shall be  
 24 subject to the same limitations under the National  
 25 Housing Act that are applicable to the mortgage in-

1 insurance programs for such housing and facilities  
2 carried out under such Act by the Secretary of  
3 Housing and Urban Development;

4 (2) the Corporation may exercise any authority  
5 and undertake any responsibility of the Secretary of  
6 Housing and Urban Development under the Na-  
7 tional Housing Act relating to providing mortgage  
8 insurance described in paragraph (1), except that  
9 any authority that requires an appropriation may be  
10 conducted only to the extent that amounts are so ap-  
11 propriated; and

12 (3) the Corporation shall manage any assets  
13 and obligations transferred under subsection (b)  
14 subject to the same limitations applicable to the Sec-  
15 retary of Housing and Urban Development under  
16 the National Housing Act (as amended by title IV  
17 of this Act).

18 (b) TRANSFER OF ASSETS AND OBLIGATIONS.—The  
19 Secretary of Housing and Urban Development, in con-  
20 sultation with the Secretary of the Treasury, shall, to the  
21 extent approved in appropriation Acts, transfer to the Cor-  
22 poration, on or before the transition date, all assets and  
23 obligations of the Secretary of Housing and Urban Devel-  
24 opment relating to the programs for mortgage insurance  
25 described in subsection (a)(1), including all assets and ob-

1 ligations of the Mutual Mortgage Insurance Fund under  
2 section 202 of the National Housing Act, the General In-  
3 surance Fund under section 519 of such Act, the Special  
4 Risk Insurance Fund under section 238(b) of such Act,  
5 and the Cooperative Management Housing Insurance  
6 Fund under section 213(k) of such Act that are attrib-  
7 utable to mortgage insurance for such housing and facili-  
8 ties.

9       (c) CONTINUATION OF CONTRACTS.—This Act may  
10 not be construed to affect the validity of any right, duty,  
11 or obligation of the United States or other person arising  
12 under or pursuant to any commitment or agreement law-  
13 fully entered into under the National Housing Act before  
14 the enactment of this Act. The provisions of this Act and  
15 the National Housing Act shall continue to apply to any  
16 such obligations to the same extent such provisions were  
17 applicable before such enactment, except only that any ob-  
18 ligation of the Secretary of Housing and Urban Develop-  
19 ment transferred to the Corporation pursuant to sub-  
20 section (b) shall be an obligation of the Corporation to  
21 the same extent as if the Corporation had originally exe-  
22 cuted such obligation.

23       (d) SELF-SUSTAINING OPERATION OF MMIF PRO-  
24 GRAMS.—The Corporation shall take any actions nec-  
25 essary to operate the mortgage insurance programs for

1 mortgages on single family housing that, under the Na-  
2 tional Housing Act (as in effect on the date of the enact-  
3 ment of this Act) are obligations of the Mutual Mortgage  
4 Insurance Fund under section 202 of the National Hous-  
5 ing Act, on a separate and insulated basis from other pro-  
6 grams of the Corporation and in a manner that is self-  
7 sustaining and does not require appropriations from the  
8 Treasury.

9 (e) **TERMINATION OF HUD MORTGAGE INSURANCE**  
10 **AUTHORITY.**—Notwithstanding any other provision of  
11 law, after the transition date the Secretary of Housing and  
12 Urban Development may not provide any insurance or  
13 make any commitment to insure any mortgage for single  
14 family or multifamily housing, or for health care facilities,  
15 pursuant to title II of the National Housing Act.

16 **SEC. 202. NEW LINES OF BUSINESS.**

17 (a) **AUTHORITY.**—After the transition date the Cor-  
18 poration may, subject to the requirements of this section,  
19 section 203, and section 204 and only to the extent that  
20 any amounts are made available in advance in appropria-  
21 tion Acts specifically for carrying out such activities—

22 (1) provide mortgage insurance for mortgages  
23 on single family housing and multifamily housing  
24 and health care facilities that is not subject to the  
25 limitations under the National Housing Act; and

1           (2) engage in any other method of enhancing  
2           credit for mortgages involving single family or multi-  
3           family housing or health care facilities.

4 In providing mortgage insurance and credit enhancement  
5 under this subsection, the Corporation may provide full  
6 or partial mortgage insurance and may enter into risk-  
7 sharing agreements to apportion any losses under such ac-  
8 tivities.

9           (b) APPROVAL.—The Corporation may not engage in  
10 any activity under subsection (a) unless—

11           (1) such activity is within the authority pro-  
12           vided under this Act for the Corporation and is spe-  
13           cifically approved, as to the nature of the activity  
14           and the scope of such activity, by a majority vote of  
15           the Board of Directors; and

16           (2) the Director of the Office of Federal Hous-  
17           ing Enterprise Oversight has specifically determined,  
18           and notified the Board of Directors in writing, that  
19           engaging in such activity will not cause the Corpora-  
20           tion to violate the requirement under section 101(d)  
21           and such activity is not likely to result in the Cor-  
22           poration being classified as undercapitalized or sig-  
23           nificantly undercapitalized, pursuant to section 1386  
24           of the Federal Housing Enterprises Financial Safety  
25           and Soundness Act of 1992.

1 **SEC. 203. LIMITATIONS ON MORTGAGE AMOUNTS AND AG-**  
2 **GREGATE BUSINESS ACTIVITY.**

3 The Corporation shall be subject to the following limi-  
4 tations on business activity:

5 (1) **MORTGAGE AMOUNT LIMITATION FOR SIN-**  
6 **GLE FAMILY HOUSING.—**

7 (A) **IN GENERAL.—**To be eligible for mort-  
8 gage insurance or other credit enhancement  
9 under this Act, a mortgage shall involve a prin-  
10 cipal obligation in an amount that does not ex-  
11 ceed the lesser of—

12 (i) in the case of a 1-family residence,  
13 95 percent of the median 1-family house  
14 price in the area, as determined by the  
15 Corporation; in the case of a 2-family resi-  
16 dence, 107 percent of such median price;  
17 in the case of a 3-family residence, 130  
18 percent of such median price; or in the  
19 case of a 4-family residence, 150 percent  
20 of such median price; or

21 (ii) in the case of any residence for  
22 fewer than five families, 100 percent of the  
23 dollar amount limitation determined under  
24 section 305(a)(2) of the Federal Home  
25 Loan Mortgage Corporation Act for a resi-  
26 dence of the applicable size.

1           (B) MINIMUM AREA LIMITATION.—Not-  
2           withstanding subparagraph (A), the principal  
3           obligation limitation in effect for any area  
4           under this paragraph may not be less than the  
5           greater of (i) the dollar amount limitation in ef-  
6           fect under section 203(b)(2) of the National  
7           Housing Act for the area on September 27,  
8           1994, or (ii) 50 percent of the dollar amount  
9           limitation determined under section 305(a)(2)  
10          of the Federal Home Loan Mortgage Corpora-  
11          tion Act for a residence of the applicable size.

12          (C) APPLICABILITY OF EXCEPTIONS.—Any  
13          exceptions to the limit on principal obligations  
14          set forth in section 203(b)(2)(A) of the Na-  
15          tional Housing Act, as such section and such  
16          exceptions exist as of the date of the enactment  
17          of this Act, shall apply to the limitations set  
18          forth in subparagraphs (A) and (B) of this  
19          paragraph.

20          (2) MORTGAGE AMOUNT LIMITATIONS FOR  
21          MULTIFAMILY HOUSING AND HEALTH CARE FACILI-  
22          TIES.—To be eligible for mortgage insurance or  
23          other credit enhancement under this Act, a mort-  
24          gage shall involve a principal obligation in an  
25          amount that does not exceed—

1 (A) in the case of multifamily housing, the  
2 amount of the appropriate limitation under sec-  
3 tion 207(c)(3) of the National Housing Act (as  
4 in effect on October 31, 1997); and

5 (B) in the case of nursing homes and in-  
6 termediate care facilities, the amount deter-  
7 mined under section 232(d)(2) of the National  
8 Housing Act (as in effect on October 31, 1997).

9 (3) AGGREGATE MORTGAGE AMOUNT OF NEW  
10 BUSINESS.—The aggregate principal amount of  
11 mortgages that, during any fiscal year concluding  
12 before the expiration of the 5-year period described  
13 in section 303, are insured or provided other credit  
14 enhancement by the Corporation pursuant to author-  
15 ity under section 202 may not exceed 15 percent of  
16 the aggregate principal amount of all mortgages in-  
17 sured or provided other credit enhancement by the  
18 Corporation during such fiscal year.

19 (4) AGGREGATE NEW MORTGAGE COMMITMENT  
20 LIMITATION.—The Corporation may not, during the  
21 5-year period beginning upon the commencement of  
22 the transition period under section 301, enter into  
23 commitments to insure mortgages or provide other  
24 credit enhancement for mortgages with an aggregate  
25 principal amount that exceeds \$520,000,000,000.

1 **SEC. 204. PUBLIC PURPOSE PERFORMANCE REQUIRE-**  
2 **MENTS.**

3 (a) IN GENERAL.—In carrying out its business and  
4 functions, the Corporation shall comply with the perform-  
5 ance measures established under subsection (b).

6 (b) ESTABLISHMENT.—The Secretary shall establish  
7 public purpose performance requirements that measure  
8 the Corporation’s annual contribution to fulfilling its pub-  
9 lic purposes. In establishing the requirements, the Sec-  
10 retary shall determine the focus of each performance re-  
11 quirement and the required level of performance.

12 (c) CONTENT.—The public purpose performance re-  
13 quirements developed by the Secretary shall require the  
14 Corporation to carry out its business in accordance with  
15 following requirements:

16 (1) UNDERSERVED HOMEBUYERS.—A portion  
17 of the single family business of the Corporation (as  
18 determined by the Secretary) shall benefit home-  
19 buyers underserved by the conventional mortgage  
20 markets.

21 (2) UNDERSERVED AREAS.—A portion of the  
22 total business of the Corporation (as determined by  
23 the Secretary) shall benefit geographic areas under-  
24 served by the conventional mortgage markets.

25 (3) UNDERSERVED RENTAL MARKETS AND RE-  
26 LATED COMMUNITY NEEDS.—A portion of the total

1 business of the Corporation (as determined by the  
2 Secretary) shall benefit renters, rental markets, and  
3 health care facility financing needs underserved by  
4 the conventional mortgage markets.

5 (4) LOW- AND MODERATE-INCOME FAMILIES.—

6 A portion of the total business of the Corporation  
7 (as determined by the Secretary) shall benefit fami-  
8 lies with incomes at or below 100 percent of the me-  
9 dian income for the area.

10 (d) FACTORS TO BE CONSIDERED IN DEVELOP-

11 MENT.—In developing and modifying the permanent pub-  
12 lic purpose performance requirements under this section,  
13 the Secretary shall consider the following factors:

14 (1) National housing needs.

15 (2) Economic, housing, and demographic condi-  
16 tions.

17 (3) The past performance of the mortgage in-  
18 surance programs under the National Housing Act.

19 (4) The size of the conventional mortgage mar-  
20 ket that is eligible for mortgage insurance under the  
21 programs under the National Housing Act, and the  
22 performance of such programs in connection with  
23 families and markets historically underserved.

24 (5) The ability of the Corporation to lead the  
25 industry in making mortgage credit available to fam-

1 ilies, communities, and markets underserved by the  
2 conventional mortgage markets.

3 (6) The need to maintain the sound financial  
4 condition of the Corporation.

5 (7) The relationship between the Corporation  
6 and other public and private participants in the  
7 mortgage credit market, their ability to meet unmet  
8 housing needs, and how the Corporation can help  
9 such participants to fulfill an increasing portion  
10 such needs.

11 (e) INTERIM PUBLIC PURPOSE PERFORMANCE RE-  
12 QUIREMENTS.—During the period beginning on the date  
13 of the organization of the Corporation pursuant to this  
14 Act and ending upon the applicability of the public pur-  
15 pose performance requirements established under this sec-  
16 tion, the Corporation shall comply with the following in-  
17 terim public purpose performance requirements:

18 (1) UNDERSERVED BORROWERS.—The Cor-  
19 poration shall ensure that not less than 67 percent  
20 of the total business of the Corporation in home pur-  
21 chase mortgages in each fiscal year benefits first-  
22 time homebuyers.

23 (2) UNDERSERVED AREAS.—

24 (A) IN GENERAL.—The Corporation shall  
25 ensure that not less than 28 percent of the total

1 business of the Corporation in each fiscal year  
2 benefits underserved areas in rural areas,  
3 central cities, Native American lands, and other  
4 areas.

5 (B) DEFINITION.—For purposes of this  
6 paragraph, the term “underserved area” means  
7 a census tract having—

8 (i) a median income equal to or less  
9 than 80 percent of the area median in-  
10 come; or

11 (ii) a median income equal to or less  
12 than 120 percent of the area median in-  
13 come and a minority population of 30 per-  
14 cent or greater.

15 (3) UNDERSERVED RENTAL MARKETS AND RE-  
16 LATED COMMUNITY NEEDS.—The Corporation shall  
17 ensure that not less than 6 percent of the total busi-  
18 ness of the Corporation in each fiscal year benefits  
19 underserved renters, rental markets, and related  
20 community needs, including—

21 (A) rental units for families with incomes  
22 equal to or less than 60 percent of the area me-  
23 dian income;

24 (B) single-room occupancy developments;

25 (C) assisted living developments;

- 1 (D) mixed-income developments;  
2 (E) community health care centers and  
3 hospitals;  
4 (F) nursing homes; and  
5 (G) small rental properties located in  
6 disinvested areas.

7 (4) LOW- AND MODERATE-INCOME FAMILIES.—  
8 The Corporation shall ensure that not less than 64  
9 percent of the total business of the Corporation in  
10 each fiscal year benefits low- and moderate-income  
11 families.

12 For purposes of this subsection, percentages of the busi-  
13 ness of the Corporation shall be determined based on the  
14 number of units that are financed with credit enhance-  
15 ment provided by the Corporation. The Corporation shall  
16 be given partial credit toward compliance with the per-  
17 formance requirements under this subsection, where ap-  
18 propriate, to the extent that the financing of a mortgage  
19 meeting a particular requirement is only partially attrib-  
20 utable to credit enhancement provided by the Corporation.

21 (f) COMPLIANCE.—

22 (1) MONITORING.—The Secretary shall monitor  
23 the compliance of the Corporation with the perma-  
24 nent and interim performance requirements to as-  
25 sess the Corporation's public purpose performance.

1           (2) MEASUREMENT.—In determining compli-  
2           ance with the public purpose performance require-  
3           ments under this section, the Secretary—

4                   (A) shall consider any single mortgage or  
5                   other instrument that is provided credit en-  
6                   hancement by the Corporation as contributing  
7                   to the achievement of each public purpose per-  
8                   formance requirement for which such mortgage  
9                   or other credit enhancement instrument may  
10                  qualify; and

11                  (B) may take into consideration the num-  
12                  ber of housing units financed by any mortgage  
13                  or other instrument on housing that is provided  
14                  credit enhancement by the Corporation.

15           (g) AUTHORITY OF THE SECRETARY.—In connection  
16           with overseeing the compliance of Corporation with the  
17           permanent and interim public purpose performance re-  
18           quirements of the Corporation, the Secretary may—

19                   (1) obtain information from the Corporation  
20                   necessary to develop the public purpose performance  
21                   requirements under this section;

22                   (2) modify the interim and permanent public  
23                   purpose performance requirements, as needed, based  
24                   upon the Secretary's determination that macro-

1 economic or other conditions justify such modifica-  
2 tion;

3 (3) obtain information from the Corporation  
4 necessary to carry out the function under subsection  
5 (f)(1) (relating to monitoring); and

6 (4) take appropriate actions if the Corporation  
7 fails to comply with the requirements of this section,  
8 taking into account the feasibility of compliance,  
9 given macroeconomic or other circumstances justify-  
10 ing the Corporation's failure to comply.

11 (h) ANNUAL REPORT.—The Secretary shall submit  
12 a report to Congress annually regarding the Corporation's  
13 performance as measured by the public purpose perform-  
14 ance requirements.

## 15 **TITLE III—TRANSITION**

### 16 **SEC. 301. TRANSITION DATE AND TRANSITION PERIOD.**

17 For purposes of this Act, the following definitions  
18 shall apply:

19 (1) TRANSITION DATE.—The term “transition  
20 date” means the latter of the following dates:

21 (A) EARLIEST DATE.—The date that oc-  
22 curs 1 year after the date of the enactment of  
23 this Act.

24 (B) REQUIRED ACTIONS.—The first date  
25 by which all of the following have occurred:

1 (i) The Corporation has submitted an  
2 initial annual budget and business plan to  
3 the Congress and the President that have  
4 been approved by the President.

5 (ii) The Director of the Office of Fed-  
6 eral Housing Enterprise Oversight has cer-  
7 tified to the Congress and the President  
8 that the Director has developed an interim  
9 model under section 1393(a)(2) of the  
10 Federal Housing Enterprises Financial  
11 Safety and Soundness Act of 1992 that is  
12 sufficient for the Director's purposes.

13 (iii) The Director of the Office of  
14 Management and Budget has certified to  
15 the Congress and the President that the  
16 application of such interim model is con-  
17 sistent with the Federal Credit Reform Act  
18 of 1990.

19 (iv) The Director of the Office of  
20 Management and Budget determines that  
21 the staff, systems, and administrative in-  
22 frastructure of the Corporation are suffi-  
23 cient to permit the Corporation to fully  
24 conduct the operation of its business.

1           (2) TRANSITION PERIOD.—The term “transi-  
2           tion period” means the period beginning upon the  
3           organization of the Corporation under this Act and  
4           ending upon the transition date.

5 **SEC. 302. AUTHORITY DURING TRANSITION PERIOD.**

6           During the transition period—

7           (1) the Secretary of Housing and Urban Devel-  
8           opment shall, in consultation with the Corporation  
9           and the Director of the Office of Management and  
10          Budget, transfer to the Corporation such powers and  
11          responsibilities of the Secretary to carry out the  
12          mortgage insurance programs under the National  
13          Housing Act relating to single family and multifam-  
14          ily housing and health care facilities, at such times  
15          as are appropriate for the Corporation to assume  
16          such powers and responsibilities;

17          (2) the Corporation may carry out any power or  
18          responsibility that the Secretary of Housing and  
19          Urban Development transfers to the Corporation  
20          consistent with paragraph (1) using the staff, sys-  
21          tems, and administrative infrastructure that the  
22          Corporation engages or acquires during the transi-  
23          tion period, or the personnel and other resources of  
24          the Secretary;

1           (3) the Corporation may incur any obligation  
2 consistent with—

3           (A) the carrying out of a power transferred  
4 to the Corporation pursuant to this Act or a re-  
5 sponsibility assigned to the Corporation under  
6 this Act; or

7           (B) the acquisition, engagement, or devel-  
8 opment of staff, systems (including technology  
9 to enhance its ability to engage in the business  
10 of the Corporation authorized by the Act), and  
11 administrative structure; and

12           (4) the Corporation may engage in any other  
13 activity or undertake any responsibility (not includ-  
14 ing any authority under section 202 (relating to new  
15 lines of business)) that the Board of Directors deter-  
16 mines to be consistent with the start-up of the Cor-  
17 poration and the authority of the Corporation under  
18 this Act.

19 **SEC. 303. REPEAL OF FHA INSURANCE AUTHORITY.**

20           Effective upon the expiration of the 5-year period  
21 that begins upon the transition date, the following provi-  
22 sions of law are repealed:

23           (1) Titles I and II of the National Housing Act.

24           (2) Section 801 of the Housing Act of 1954.

1 The repeal by this section of any provision of law shall  
2 not affect any legally binding obligations entered into be-  
3 fore the effective date of such repeal. Any funds or activi-  
4 ties subject to a provision of law repealed by this section  
5 shall continue to be governed by such provision as it was  
6 in effect immediately before such repeal.

7 **TITLE IV—PROVISIONS RELAT-**  
8 **ING TO GOVERNMENT NA-**  
9 **TIONAL MORTGAGE ASSOCIA-**  
10 **TION AND OFFICE OF FED-**  
11 **ERAL HOUSING ENTERPRISE**  
12 **OVERSIGHT**

13 **SEC. 401. GNMA AUTHORITY.**

14 Title III of the National Housing Act (12 U.S.C.  
15 1716 et seq.) is amended—

16 (1) in section 301(5), by inserting after “feder-  
17 ally owned mortgage portfolios” the following: “(in-  
18 cluding any owned by the Federal Housing Corpora-  
19 tion)”;

20 (2) in the first sentence of section 306(g)(1)—

21 (A) by inserting “the Association, or by”  
22 after “shall (i) be issued by”; and

23 (B) by striking “which are insured under  
24 the National Housing Act” and all that follows  
25 through the period and inserting “which are

1           guaranteed or insured under the National  
2           Housing Act, the Federal Housing Corporation  
3           Charter Act, title V of the Housing Act of  
4           1949, section 184 of the Housing and Commu-  
5           nity Development Act of 1992, the Servicemen’s  
6           Readjustment Act of 1944, or chapter 37 of  
7           title 38, United States Code.”; and

8           (3) in section 306(g)(3)(A)(i), by inserting after  
9           “National Housing Act” the following: “or the Fed-  
10          eral Housing Corporation Charter Act”.

11 **SEC. 402. SAFETY AND SOUNDNESS OVERSIGHT OF COR-**  
12 **PORATION BY OFHEO.**

13          (a) IN GENERAL.—Title XIII of the Housing and  
14          Community Development Act of 1992 (Public Law 102–  
15          550; 106 Stat. 4009) is amended—

16               (1) by redesignating sections 1391 through  
17               1395 as sections 1385 through 1389, respectively;  
18               and

19               (2) by adding at the end the following new sub-  
20               title:

1 **“SUBTITLE F—SUPERVISION**  
2 **AND REGULATION OF FED-**  
3 **ERAL HOUSING CORPORA-**  
4 **TION**

5 **“SEC. 1391. AUTHORITY OF DIRECTOR.**

6 “(a) IN GENERAL.—The Director of the Office of  
7 Federal Housing Enterprise Oversight shall supervise and  
8 regulate the safety and soundness of the Federal Housing  
9 Corporation (in this subtitle referred to as the ‘Corpora-  
10 tion’).

11 “(b) AUTHORITY EXCLUSIVE OF SECRETARY.—The  
12 Director is authorized, without the review or approval of  
13 the Secretary of Housing and Urban Development, to  
14 make such determinations, take such actions, and perform  
15 such functions as the Director determines necessary to  
16 meet the responsibilities of the Director under this sub-  
17 title.

18 “(c) REVIEW OF NEW BUSINESS OF CORPORA-  
19 TION.—The Director shall review any proposed new busi-  
20 ness activity of the Corporation authorized under section  
21 202(d) of the Federal Housing Corporation Charter Act  
22 (relating to approval) by the Board of Directors of the  
23 Corporation to determine whether such activity will cause  
24 the Corporation to violate the requirement under section  
25 101(d) of such Act (relating to self-supporting operation)

1 or is likely to result in the Corporation being classified  
2 as undercapitalized or significantly undercapitalized, pur-  
3 suant to section 1393 of this Act. The Director shall sub-  
4 mit written notice of the results of any such determination  
5 to the Board of Directors.

6 **“SEC. 1392. EXAMINATIONS, REPORTS, AND COST ESTI-**  
7 **MATES.**

8 “(a) ANNUAL EXAMINATIONS.—The Director shall  
9 conduct such examinations of the Corporation as the Di-  
10 rector determines necessary, but not less than annually,  
11 to evaluate the safety and soundness of the Corporation.  
12 Such examinations shall be subject to and governed by  
13 subsections (c) through (f) of section 1317.

14 “(b) REPORTS.—The Director may require the Cor-  
15 poration to submit, within a reasonable period of time, any  
16 regular or special report, data, or other information when-  
17 ever, in the judgment of the Director, such report, data,  
18 or information is necessary to carry out the Director’s re-  
19 sponsibilities under this subtitle and the Federal Housing  
20 Corporation Charter Act.

21 “(c) CREDIT SUBSIDY COST ESTIMATES.—

22 “(1) IN GENERAL.—The Director shall produce  
23 and submit to the Corporation the annual credit  
24 subsidy cost estimates for the Corporation that are  
25 required for the President’s budget. Such estimates

1 shall be consistent with the estimates of performance  
2 generated by the risk-based capital model or the in-  
3 terim model, as appropriate, developed in accordance  
4 with section 1393(a), and with the President’s eco-  
5 nomic forecast.

6 “(2) UNIFIED ESTIMATES.—The annual credit  
7 subsidy cost estimates produced under this sub-  
8 section by the Director shall be reported on a unified  
9 basis, which shall be based upon the Corporation’s  
10 business as a whole.

11 “(d) ANNUAL REPORT ON SAFETY AND SOUND-  
12 NESS.—The Director shall submit an annual report to  
13 Congress and the Director of the Office of Management  
14 and Budget on the Corporation’s financial safety and  
15 soundness, as measured pursuant to this subtitle.

16 **“SEC. 1393. CAPITAL REQUIREMENTS.**

17 “(a) REQUIRED CAPITAL LEVEL.—

18 “(1) STRESS TEST.—

19 “(A) IN GENERAL.—The Director shall de-  
20 velop a risk-based capital model to determine  
21 the amount of capital that is sufficient for the  
22 Corporation to maintain positive capital during  
23 a stressful period. The model shall incorporate  
24 the assumptions under subparagraphs (B) and  
25 (C). The required capital level for the Corpora-

1           tion shall be equal to twice the amount of cap-  
2           ital so determined.

3           “(B) CREDIT RISK.—For purposes of sub-  
4           paragraph (A), the Director shall assume that,  
5           during the stressful period referred to in sub-  
6           paragraph (A), credit losses occur at a rate con-  
7           sistent with a nationwide economic recession of  
8           average severity based on nationwide economic  
9           recessions since 1950.

10          “(C) OTHER RISKS.—For purposes of sub-  
11          paragraph (A), the Director shall make as-  
12          sumptions about such other aspects of the  
13          stressful period as the Director determines are  
14          appropriate and consistent.

15          “(2) INTERIM REQUIREMENTS.—Until the Di-  
16          rector has established a risk-based capital test as de-  
17          scribed in paragraph (1), the Director may establish  
18          a required capital level for the Corporation based on  
19          consideration of such factors as the Director consid-  
20          ers appropriate.

21          “(3) CAPITAL CLASSIFICATION.—

22                 “(A) ADEQUATELY CAPITALIZED.—The  
23                 Corporation shall be classified as adequately  
24                 capitalized if the capital of the Corporation  
25                 equals or exceeds the required capital level.

1           “(B) UNDERCAPITALIZED.—The Corpora-  
2           tion shall be classified as undercapitalized if the  
3           capital of the Corporation does not equal or ex-  
4           ceed the required capital level, but does equal  
5           or exceed 50 percent of the required capital  
6           level.

7           “(C) SIGNIFICANTLY UNDERCAPITAL-  
8           IZED.—The Corporation shall be classified as  
9           significantly undercapitalized if the capital of  
10          the Corporation does not equal or exceed 50  
11          percent of the required capital level.

12          “(4) QUARTERLY DETERMINATION.—The Di-  
13          rector shall determine the capital classification of  
14          the Corporation not less frequently than once every  
15          calendar quarter.

16          “(b) CAPITAL RESTORATION PLANS.—

17                 “(1) REQUIREMENT.—If the Corporation is  
18                 classified as undercapitalized or significantly under-  
19                 capitalized, the Corporation shall submit to the Di-  
20                 rector a capital restoration plan that complies with  
21                 this subsection and carry out the plan unless it is  
22                 disapproved. The plan shall be submitted to the Di-  
23                 rector within 45 days from the date of notification,  
24                 or if the Director determines that an extension is

1 necessary, within such additional time as the Direc-  
2 tor so determines.

3 “(2) CONTENTS.—Each capital restoration plan  
4 submitted under this section shall set forth a fea-  
5 sible plan for raising or restoring the capital of the  
6 Corporation to an amount not less than the required  
7 capital level for the Corporation. Each capital res-  
8 toration plan shall—

9 “(A) specify the level of capital the Cor-  
10 poration shall achieve and maintain;

11 “(B) describe the actions that the Corpora-  
12 tion shall take to become classified as ade-  
13 quately capitalized;

14 “(C) establish a schedule for completing  
15 the actions set forth in the plan; and

16 “(D) specify the types and levels of activi-  
17 ties (including existing and new business activi-  
18 ties) in which the Corporation shall engage dur-  
19 ing the term of the plan.

20 **“SEC. 1394. ENFORCEMENT.**

21 “(a) GROUNDS.—The Director may take actions  
22 under subsection (b) only if—

23 “(1) the Corporation is significantly under-  
24 capitalized;

25 “(2) the Corporation is undercapitalized and—

1           “(A) does not submit a capital restoration  
2           plan that is substantially in compliance with  
3           section 1393(b) within the applicable period, or  
4           the Director disapproves the capital restoration  
5           plan submitted by the Corporation; or

6           “(B) has failed to make, in good faith, rea-  
7           sonable efforts necessary to comply with the  
8           capital restoration plan; or

9           “(3) the Corporation is engaging or has en-  
10          gaged, or the Director has reasonable cause to be-  
11          lieve that the Corporation is about to engage in—

12           “(A) any conduct that is likely to threaten  
13           the adequacy of the capital of the Corporation;

14           “(B) any failure to comply with any writ-  
15           ten agreement entered into by the Corporation  
16           with the Director; or

17           “(C) any failure to comply with any re-  
18           quest by the Director for a report, data, or in-  
19           formation under section 1392(b).

20          “(b) ACTIONS.—The Director may, under this sub-  
21          section require the Corporation—

22           “(1) to cease and desist from any conduct or  
23           activity that is described in subsection (a)(2) and  
24           (3), or that contributes to the condition described in  
25           subsection (a)(1); and

1           “(2) to take corrective or remedial action, in-  
2           cluding—

3                   “(A) restricting the growth of, or contract-  
4                   ing, any category of assets or liabilities;

5                   “(B) reducing, modifying, or terminating  
6                   any activity that the Director determines cre-  
7                   ates excessive risk to the Corporation;

8                   “(C) terminating agreements or contracts;

9                   “(D) engaging or employing qualified em-  
10                  ployees (who may be subject to approval by the  
11                  Director at the direction of the Director); or

12                  “(E) submitting to the Director for review  
13                  and approval a detailed and complete operating  
14                  plan.

15           “(c) REPORTS.—If the Director is authorized under  
16           subsection (a) to take action under subsection (b) and de-  
17           termines not to take any such action, the Director shall  
18           prepare a report detailing the basis of the Director’s deci-  
19           sion not to take such action and shall, within 30 days of  
20           the decision, submit the report to the President, the Direc-  
21           tor of the Office of Management and Budget, the Comp-  
22           troller General of the United States, the Committee on  
23           Banking and Financial Services of the House of Rep-  
24           resentatives, and the Committee on Banking, Housing,  
25           and Urban Affairs of the Senate.

1 **“SEC. 1395. REIMBURSEMENT OF COSTS.**

2       “(a) ASSESSMENT AND COLLECTION.—The Director  
3 shall assess and collect from the Corporation such  
4 amounts determined by the Director as necessary to reim-  
5 burse the Office of Federal Housing Enterprise Oversight  
6 for the reasonable costs and expenses of the activities un-  
7 dertaken by such Office to carry out the duties of the Di-  
8 rector under this subtitle, including the costs of examina-  
9 tion, enforcement, and oversight expenses.

10       “(b) REQUIREMENTS.—Annual assessments imposed  
11 by the Director shall be—

12               “(1) imposed prior to October 1 of each year;

13               “(2) collected at such time or times during each  
14 assessment year as determined necessary or appro-  
15 priate by the Director;

16               “(3) deposited into the Federal Housing Enter-  
17 prise Fund established by section 1316(f); and

18               “(4) available, to the extent provided in appro-  
19 priation Acts, for carrying out the responsibilities of  
20 the Director under this subtitle.”.

21       (b) CLERICAL AMENDMENT.—The table of contents  
22 in section 1(b) of the Housing and Community Develop-  
23 ment Act of 1992 (Public Law 102–550; 106 Stat. 3679)  
24 is amended—

1           (1) by redesignating the items relating to sec-  
2           tions 1391 through 1395 as relating to sections  
3           1385 through 1389, respectively; and

4           (2) by inserting before the item relating to title  
5           XIV the following new items:

“SUBTITLE F—SUPERVISION AND REGULATION OF FEDERAL  
HOUSING CORPORATION

“Sec. 1391. Authority of Director.

“Sec. 1392. Examinations, reports, and cost estimates.

“Sec. 1393. Capital requirements.

“Sec. 1394. Enforcement.

“Sec. 1395. Reimbursement of costs.”.

