

107TH CONGRESS
2D SESSION

S. 2239

AN ACT

To amend the National Housing Act to simplify the downpayment requirements for FHA mortgage insurance for single family homebuyers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FHA Downpayment
5 Simplification Act of 2002”.

1 **SEC. 2. DOWNPAYMENT SIMPLIFICATION.**

2 Section 203 of the National Housing Act (12 U.S.C.
3 1709) is amended—

4 (1) in subsection (b)—

5 (A) by striking “shall—” and inserting
6 “shall comply with the following:”;

7 (B) in paragraph (2)—

8 (i) in subparagraph (A), in the matter
9 that precedes clause (ii), by moving the
10 margin 2 ems to the right;

11 (ii) in the undesignated matter imme-
12 diately following subparagraph (B)(iii)—

13 (I) by striking the second and
14 third sentences of such matter;

15 (II) by striking the seventh sen-
16 tence (relating to principal obligation)
17 and all that follows through the end
18 of the ninth sentence (relating to
19 charges and fees); and

20 (III) by striking the eleventh sen-
21 tence (relating to disclosure notice)
22 and all that follows through the end
23 of the last undesignated paragraph
24 (relating to disclosure notice require-
25 ments); and

1 (iii) by striking subparagraph (B) and
2 inserting the following:

3 “(B) not to exceed an amount equal to the
4 sum of—

5 “(i) the amount of the mortgage in-
6 surance premium paid at the time the
7 mortgage is insured; and

8 “(ii) in the case of—

9 “(I) a mortgage for a property
10 with an appraised value equal to or
11 less than \$50,000, 98.75 percent of
12 the appraised value of the property;

13 “(II) a mortgage for a property
14 with an appraised value in excess of
15 \$50,000 but not in excess of
16 \$125,000, 97.65 percent of the ap-
17 praised value of the property;

18 “(III) a mortgage for a property
19 with an appraised value in excess of
20 \$125,000, 97.15 percent of the ap-
21 praised value of the property; or

22 “(IV) notwithstanding subclauses
23 (II) and (III), a mortgage for a prop-
24 erty with an appraised value in excess
25 of \$50,000 that is located in an area

1 of the State for which the average
 2 closing cost exceeds 2.10 percent of
 3 the average, for the State, of the sale
 4 price of properties located in the State
 5 for which mortgages have been exe-
 6 cuted, 97.75 percent of the appraised
 7 value of the property.”;

8 (C) by transferring and inserting the text
 9 of paragraph (10)(B) after the period at the
 10 end of the first sentence of the undesignated
 11 paragraph that immediately follows paragraph
 12 (2)(B) (relating to the definition of “area”);
 13 and

14 (D) by striking paragraph (10); and

15 (2) by inserting after subsection (e), the fol-
 16 lowing:

17 “(f) DISCLOSURE OF OTHER MORTGAGE PROD-
 18 UCTS.—

19 “(1) IN GENERAL.—In conjunction with any
 20 loan insured under this section, an original lender
 21 shall provide to each prospective borrower a disclo-
 22 sure notice that provides a 1-page analysis of mort-
 23 gage products offered by that lender and for which
 24 the borrower would qualify.

1 “(2) NOTICE.—The notice required under para-
2 graph (1) shall include—

3 “(A) a generic analysis comparing the note
4 rate (and associated interest payments), insur-
5 ance premiums, and other costs and fees that
6 would be due over the life of the loan for a loan
7 insured by the Secretary under subsection (b)
8 with the note rates, insurance premiums (if ap-
9 plicable), and other costs and fees that would
10 be expected to be due if the mortgagor obtained
11 instead other mortgage products offered by the
12 lender and for which the borrower would qualify
13 with a similar loan-to-value ratio in connection
14 with a conventional mortgage (as that term is
15 used in section 305(a)(2) of the Federal Home
16 Loan Mortgage Corporation Act (12 U.S.C.
17 1454(a)(2)) or section 302(b)(2) of the Federal
18 National Mortgage Association Charter Act (12
19 U.S.C. 1717(b)(2)), as applicable), assuming
20 prevailing interest rates; and

21 “(B) a statement regarding when the re-
22 quirement of the mortgagor to pay the mort-
23 gage insurance premiums for a mortgage in-
24 sured under this section would terminate, or a
25 statement that the requirement shall terminate

1 only if the mortgage is refinanced, paid off, or
2 otherwise terminated.”.

3 **SEC. 3. CONFORMING AMENDMENTS.**

4 Section 245 of the National Housing Act (12 U.S.C.
5 1715z–10) is amended—

6 (1) in subsection (a), by striking “, or if the
7 mortgagor” and all that follows through “case of
8 veterans”; and

9 (2) in subsection (b)(3), by striking “, or, if
10 the” and all that follows through “for veterans,”.

11 **SEC. 4. REPEAL OF GNMA GUARANTEE FEE INCREASE.**

12 Section 972 of the Higher Education Amendments of
13 1998 (Public Law 105–244; 112 Stat. 1837) is hereby re-
14 pealed.

15 **SEC. 5. INDEXING OF FHA MULTIFAMILY HOUSING LOAN**
16 **LIMITS.**

17 (a) The National Housing Act (12 U.S.C. 1701 et
18 seq.) is amended by inserting after section 206 the fol-
19 lowing new section 206A (12 U.S.C. 1712A):

20 **“SEC. 206A. INDEXING OF FHA MULTIFAMILY HOUSING**
21 **LOAN LIMITS.**

22 “(a) METHOD OF INDEXING.—The dollar amounts
23 set forth in—

24 “(1) section 207(c)(3)(A) (12 U.S.C.
25 1713(c)(3)(A));

1 “(2) section 213(b)(2)(A) (12 U.S.C.
2 1715e(b)(2)(A));

3 “(3) section 220(d)(3)(B)(iii)(I) (12 U.S.C.
4 1715k(d)(3)(B)(iii)(I));

5 “(4) section 221(d)(3)(ii)(I) (12 U.S.C.
6 1715l(d)(3)(ii)(I));

7 “(5) section 221(d)(4)(ii)(I) (12 U.S.C.
8 1715l(d)(4)(ii)(I));

9 “(6) section 231(c)(2)(A) (12 U.S.C.
10 1715v(c)(2)(A)); and

11 “(7) section 234(e)(3)(A) (12 U.S.C.
12 1715y(e)(3)(A));

13 (collectively hereinafter referred to as the “Dollar
14 Amounts”) shall be adjusted annually (commencing in
15 2004) on the effective date of the Federal Reserve Board’s
16 adjustment of the \$400 figure in the Home Ownership and
17 Equity Protection Act of 1994 (HOEPA). The adjustment
18 of the Dollar Amounts shall be calculated using the per-
19 centage change in the Consumer Price Index for All Urban
20 Consumers (CPI–U) as applied by the Federal Reserve
21 Board for purposes of the above-described HOEPA ad-
22 justment.

23 “(b) NOTIFICATION.—The Federal Reserve Board on
24 a timely basis shall notify the Secretary, or his designee,
25 in writing of the adjustment described in subsection (a)

1 and of the effective date of such adjustment in order to
 2 permit the Secretary to undertake publication in the Fed-
 3 eral Register of corresponding adjustments to the Dollar
 4 Amounts. The dollar amount of any adjustment shall be
 5 rounded to the next lower dollar.”.

6 (b) TECHNICAL AND CONFORMING CHANGES.—(1)
 7 Section 207(c)(3) of the National Housing Act (12 U.S.C.
 8 1713(c)(3)) is amended—

9 (A) by inserting “(A)” after “(3)”;

10 (B) by striking “and accept that the Secretary”
 11 through and including “in this paragraph” and in-
 12 serting in lieu thereof:

13 “(B) the Secretary may, by regulation, in-
 14 crease any of the dollar amount limitations in
 15 subparagraph (A) (as such limitations may have
 16 been adjusted in accordance with section 206A
 17 of this Act)”.

18 (2) Section 213(b)(2) of the National Housing Act
 19 (12 U.S.C. 1715e(b)(2)) is amended—

20 (A) by inserting “(A)” following “(2)”;

21 (B) by striking “: *Provided further*, That” the
 22 first time that it occurs, through and including
 23 “contained in this paragraph” and inserting in lieu
 24 thereof: “; (B)(i) the Secretary may, by regulation,
 25 increase any of the dollar amount limitations in sub-

1 paragraph (A) (as such limitations may have been
2 adjusted in accordance with section 206A of this
3 Act)”;

4 (C) by striking “: *Provided further*, That” the
5 second time it occurs and inserting in lieu thereof:
6 “; and (ii)”;

7 (D) by striking “: *And provided further*, That”
8 and inserting in lieu thereof” “; and (iii)”;

9 (E) by striking “with this subsection without
10 regard to the preceding proviso” at the end of that
11 subsection and inserting in lieu thereof: “with this
12 subparagraph (B)(i).”.

13 (3) Section 220(d)(3)(B)(iii) of the National Housing
14 Act (12 U.S.C. 1715k(d)(3)(B)(iii)) is amended—

15 (A) by inserting “(I)” following “(iii)”;

16 (B) by striking “design; and except that” and
17 inserting in lieu thereof: “design; and (II)”;

18 (C) by striking “any of the foregoing dollar
19 amount limitations contained in this clause” and in-
20 serting in lieu thereof: “any of the dollar amount
21 limitations in subparagraph (B)(iii)(I) (as such limi-
22 tations may have been adjusted in accordance with
23 section 206A of this Act)”;

24 (D) by striking “: *Provided*, That” through and
25 including “proviso” and inserting in lieu thereof:

1 “with respect to dollar amount limitations applicable
 2 to rehabilitation projects described in subclause (II),
 3 the Secretary may, by regulation, increase the dollar
 4 amount limitations contained in subparagraph
 5 (B)(iii)(I) (as such limitations may have been ad-
 6 justed in accordance with section 206A of this
 7 Act)”;

8 (E) by striking “: *Provided further,*” and insert-
 9 ing in lieu thereof: “; (III)”;

10 (F) by striking “subparagraph” in the second
 11 proviso and inserting in lieu thereof “subparagraph
 12 (B)(iii)(I)”;

13 (G) in the last proviso, by striking “: *And pro-*
 14 *vided further, That*” and all that follows through and
 15 including “this clause” and inserting in lieu thereof:
 16 “; (IV) with respect to rehabilitation projects involv-
 17 ing not more than five family units, the Secretary
 18 may further increase any of the dollar limitations
 19 which would otherwise apply to such projects”.

20 (4) Section 221(d)(3)(ii) of the National Housing Act
 21 (12 U.S.C. 1715l(d)(3)(ii)) is amended—

22 (A) by inserting “(I)” following “(ii)”;

23 (B) by striking “; and except that” and all that
 24 follows through and including “in this clause” and
 25 inserting in lieu thereof: “; (II) the Secretary may,

1 by regulation, increase any of the dollar amount lim-
2 itations in subclause (I) (as such limitations may
3 have been adjusted in accordance with section 206A
4 of this Act)’’.

5 (5) Section 221(d)(4)(ii) of the National Housing Act
6 (12 U.S.C. 1715l(d)(4)(ii)) is amended—

7 (A) by inserting ‘‘(I)’’ following ‘‘(ii)’’;

8 (B) by striking ‘‘; and except that’’ and all
9 that follows through and including ‘‘in this
10 clause’’ and inserting in lieu thereof: ‘‘; (II) the
11 Secretary may, by regulation, increase any of
12 the dollar limitations in subclause (I) (as such
13 limitations may have been adjusted in accord-
14 ance with section 206A of this Act)’’.

15 (6) Section 231(c)(2) of the National Housing Act
16 (12 U.S.C. 1715v(c)(2)) is amended—

17 (A) by inserting ‘‘(A)’’ following ‘‘(2)’’;

18 (B) by striking ‘‘; and except that’’ and all that
19 follows through and including ‘‘in this paragraph’’
20 and inserting in lieu thereof: ‘‘; (B) the Secretary
21 may, by regulation, increase any of the dollar limita-
22 tions in subparagraph (A) (as such limitations may
23 have been adjusted in accordance with section 206A
24 of this Act)’’;

1 (C) by striking “: *Provided*, That” and all that
 2 follows through and including “of this section” and
 3 inserting in lieu thereof: “; (C) the Secretary may,
 4 by regulation, increase any of the dollar limitations
 5 in subparagraph (A) (as such limitations may have
 6 been adjusted in accordance with section 206A of
 7 this Act)”.

8 (7) Section 234(e)(3) of the National Housing Act
 9 (12 U.S.C. 1715y(e)(3)) is amended—

10 (A) by inserting “(A)” following “(3)”;

11 (B) by replacing “\$38,025” with “\$42,048”;
 12 “\$42,120” with “\$48,481”; “\$50,310” with
 13 “\$58,469”; “\$62,010” with “\$74,840”; “\$70,200”
 14 with “\$83,375”; “\$43,875” with “\$44,250”;
 15 “\$49,140” with “\$50,724”; “\$60,255” with
 16 “\$61,680”; “\$75,465” with “\$79,793”; and
 17 “\$85,328” with “\$87,588”;

18 (C) by striking “; except that each” and all that
 19 follows through and including “contained in this
 20 paragraph” and inserting in lieu thereof: “; (B) the
 21 Secretary may, by regulation, increase any of the
 22 dollar limitations in subparagraph (A) (as such limi-

- 1 tations may have been adjusted in accordance with
- 2 section 206A of this Act)''.

Passed the Senate October 17, 2002.

Attest:

Secretary.

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