

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2239

---

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 21, 2002

Referred to the Committee on Financial Services

---

## 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 diselo-  
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(e)(3)(A) (12 U.S.C.  
25 1713(e)(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(e)(2)(A) (12 U.S.C.  
10 1715v(e)(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.*



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.