

109TH CONGRESS  
1ST SESSION

# H. R. 2656

To amend section 502(h) of the Housing Act of 1949 to improve the rural housing loan guarantee program, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

MAY 26, 2005

Mr. ANDREWS introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend section 502(h) of the Housing Act of 1949 to improve the rural housing loan guarantee program, 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.**

4 This Act may be cited as the “Rural Housing Oppor-  
5 tunity and Enhancement Act of 2005”.

6 **SEC. 2. GUARANTEES FOR RURAL HOUSING LOANS.**

7 (a) INCOME LIMITATION.—

8 (1) IN GENERAL.—Section 502(h) of the Hous-  
9 ing Act of 1949 (42 U.S.C. 1472(h)) is amended—

10 (A) by striking paragraph (3); and

1 (B) in paragraph (11), by striking “ for  
2 low and moderate income families”.

3 (2) REPEAL.—Section 751 of the Agriculture,  
4 Rural Development, Food and Drug Administration,  
5 and Related Agencies Appropriations Act, 2001 (42  
6 U.S.C. 1472 note) is hereby repealed:

7 (b) GUARANTEE FEE.—

8 (1) IN GENERAL.—Section 502(h)(8) of the  
9 Housing Act of 1949 is amended by striking “not  
10 more than 1 percent” and inserting “0.9 percent”.

11 (2) REPEALS.—The following provisions are  
12 hereby repealed:

13 (A) Section 739 of the Agriculture, Rural  
14 Development, Food and Drug Administration,  
15 and Related Agencies Appropriations Act, 2001  
16 (42 U.S.C. 1472 note).

17 (B) Section 726 of the Agriculture, Rural  
18 Development, Food and Drug Administration,  
19 and Related Agencies Appropriations Act, 2005  
20 (118 Stat. 2842).

21 (c) REPAYMENT ABILITY.—Section 502(h) of the  
22 Housing Act of 1949 is amended by inserting after para-  
23 graph (2) the following new paragraph:

24 “(3) ELIGIBILITY OF BORROWERS.—Any regu-  
25 lations of the Secretary limiting eligibility of bor-

1       rowers for loans guaranteed pursuant to this sub-  
2       section based upon the ratio between the debt and  
3       income of the borrower shall provide for a higher in-  
4       come-to-debt ratio with respect to loans for newly  
5       constructed properties”.

6       **SEC. 3. GUARANTEES FOR REFINANCING LOANS.**

7       Section 502(h)(14) of the Housing Act of 1949 (42  
8       U.S.C. 1472(h)(13)) is amended as follows:

9               (1) GUARANTEE FEE.—

10               (A) In subparagraph (A), by striking  
11               “(F)” and inserting “(I)”

12               (B) In subparagraph (E), by striking  
13               “(8),”.

14               (C) By redesignating subparagraphs (E)  
15               and (F) as subparagraphs (H) and (I), respec-  
16               tively.

17               (D) By inserting after subparagraph (D)  
18               the following new subparagraph:

19               “(E) GUARANTEE FEE.—With respect to a  
20               refinancing loan under this paragraph, the Sec-  
21               retary may collect from the lender at the time  
22               of issuance of the guarantee a fee equal to 0.5  
23               percent of the principal obligation of the loan.”.

24               (2) REFINANCING OTHER TYPES OF MORT-  
25               GAGES.—In subparagraph (A)—

1 (A) by inserting “(i)” before “under this  
2 section”; and

3 (B) by inserting before the last comma the  
4 following: “, or (ii) to acquire or construct a  
5 single-family residence that meets the require-  
6 ments of paragraph (4)”.

7 (3) LOAN AMOUNT.—In subparagraph (D), by  
8 striking “and such closing costs” and all that follows  
9 through “prescribe” and inserting the following:  
10 “and closing costs, which shall include amounts paid  
11 as an origination fee, but not in excess of 1 percent  
12 of the principal obligation of the loan, amounts paid  
13 as a discount fee, but not in excess of 200 basis  
14 points, any amounts required to be paid into escrow  
15 upon loan origination, and such other closing costs  
16 as the Secretary may prescribe”.

17 (4) ELIMINATION OF INCOME RESTRICTION.—  
18 In subparagraph (H), as so redesignated by para-  
19 graph (1)(B) of this section, by striking “(3),”.

20 (5) LOAN REQUIREMENTS.—By inserting before  
21 subparagraph (H), as so redesignated by paragraph  
22 (1)(B) of this section, the following new subpara-  
23 graphs:

24 “(F) PROHIBITED LOAN TERMS.—The  
25 Secretary may not require, for a refinancing

1 loan to be eligible for a guarantee under this  
2 paragraph—

3 “(i) that an appraisal credit report or  
4 underwriting be conducted in connection  
5 with the loan; or

6 “(ii) in the case of a loan described in  
7 clause (i) of subparagraph (A), that the  
8 residence in connection with which the loan  
9 is made be located in a rural area.

10 “(G) REQUIRED LOAN TERMS.—The Sec-  
11 retary shall require, for a refinancing loan to be  
12 eligible for a guarantee under this paragraph,  
13 that—

14 “(i) the borrower is not delinquent  
15 with respect to payment of the existing  
16 loan being refinanced; and

17 “(ii) the monthly payments required  
18 by the borrower under the refinancing loan  
19 be at least \$50 less than the monthly pay-  
20 ments so required under the existing loan  
21 being refinanced.”.

22 **SEC. 4. RECORDING OF LOANS.**

23 Section 501 of the Housing Act of 1949 (42 U.S.C.  
24 1471) is amended by adding at the end the following new  
25 subsection:

1       “(k) RECORDING REQUIREMENTS.—The Secretary  
2 shall provide that each loan made, insured, or guaranteed  
3 under this title shall be recorded, in accordance with any  
4 applicable State and local laws requiring recordation of  
5 loans, as a loan made, insured, or guaranteed (as appro-  
6 priate) by the Department of Agriculture, and not as a  
7 conventional loan.”.

8 **SEC. 5. RURAL AREA DEFINITION.**

9       Clause (3) of the first sentence of section 520 of the  
10 Housing Act of 1949 (42 U.S.C. 1490) is amended by  
11 striking “and (A)” and all that follows through “mod-  
12 erate-income families,”.

13 **SEC. 6. INCOME LIMITATION FOR DIRECT LOANS.**

14       The first sentence of paragraph (4) of section 501(b)  
15 of the Housing Act of 1949 (42 U.S.C. 1471(b)(4)) is  
16 amended by inserting before the period at the end the fol-  
17 lowing: “, except that in determining such respective levels  
18 for purposes of direct loans made under section 502, sec-  
19 tion 3(b)(2) of such Act (42 U.S.C. 1437a(b)(2)) shall be  
20 applied by substituting ‘150 percent’ for ‘80 per centum’  
21 each place such term appears and by substituting ‘93.75  
22 percent’ for ‘50 per centum’ each place such term ap-  
23 pears”.

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