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109TH CONGRESS
2^D SESSION

H. R. 5121

[Report No. 109-589]

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2006

Mr. NEY (for himself, Ms. WATERS, Mr. GARY G. MILLER of California, and Mr. TIBERI) introduced the following bill; which was referred to the Committee on Financial Services

JULY 20, 2006

Additional sponsors: Mr. SHAYS, Mr. WYNN, Ms. HARRIS, Mr. HINOJOSA, Mrs. MALONEY, Mr. PAYNE, Mr. MARCHANT, Mr. CLAY, Mrs. DRAKE, Mr. MILLER of North Carolina, Mr. LINCOLN DIAZ-BALART of Florida, Mr. ENGLISH of Pennsylvania, Mr. MARIO DIAZ-BALART of Florida, Mr. McKEON, Mr. DREIER, Mr. CALVERT, Mr. RADANOVICH, Mr. CAMPBELL of California, Mr. ROHRABACHER, Mr. FORTUÑO, Mrs. CAPITO, Ms. GINNY BROWN-WAITE of Florida, Mr. ISRAEL, Mr. PEARCE, Mr. LATOURETTE, Mr. ROSS, Mr. DAVIS of Kentucky, Mr. FOLEY, Mr. PORTER, Mr. RENZI, Mr. NEUGEBAUER, Mrs. JO ANN DAVIS of Virginia, Mr. ANDREWS, Mr. SANDERS, Ms. PRYCE of Ohio, Mr. FEENEY, Mr. SESSIONS, Mr. GOODE, Mr. McHUGH, Mr. RAMSTAD, Mr. MCGOVERN, Mr. AL GREEN of Texas, Mr. WELDON of Pennsylvania, Mrs. BIGGERT, Ms. CARSON, Mr. MICA, Ms. MATSUI, Mr. PLATTS, Mr. CLEAVER, Mr. SIMMONS, Mr. CASE, Mr. BACHUS, Ms. MCKINNEY, Mr. BACA, Mr. GILLMOR, Mr. POMBO, Mr. BURGESS, Mr. LUCAS, Mr. BRADY of Pennsylvania, Mr. SCOTT of Georgia, Mr. CAPUANO, Ms. HART, Ms. BERKLEY, Mr. DAVIS of Alabama, Mr. OTTER, Mr. CLYBURN, Mr. FOSSELLA, Mr. ROTHMAN, Mr. DAVIS of Tennessee, Mr. LARSEN of Washington, Mrs. BLACKBURN, Mr. BOEHLERT, Mr. KLINE, Mr. CUMMINGS, Ms. JACKSON-LEE of Texas, Mr. FITZPATRICK of Pennsylvania, Mr. OWENS, Mrs. CHRISTENSEN, Ms. MILLENDER-McDONALD, Mr. DOOLITTLE, Mr. TOWNS, Mr. JEFFERSON, Mr. MEEKS of New York, Mr. FATTAH, Mr.

HASTINGS of Florida, Mr. RUSH, Mr. MEEK of Florida, Mr. CONYERS, Mr. REYNOLDS, Mr. RANGEL, Ms. NORTON, Mr. DAVIS of Illinois, Mr. PICKERING, Mr. BROWN of Ohio, Mr. HIGGINS, Mr. PASCRELL, Mr. THOMPSON of Mississippi, Mr. BISHOP of Georgia, Mr. SAXTON, Mr. ENGEL, Mr. SWEENEY, Mr. FORD, and Mrs. NAPOLITANO

JULY 20, 2006

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on April 6, 2006]

A BILL

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, 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 “Ex-*
 5 *panding American Homeownership Act of 2006”.*

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. Findings and purposes.*
- Sec. 3. Maximum principal loan obligation.*
- Sec. 4. Extension of mortgage term.*
- Sec. 5. Cash investment requirement.*
- Sec. 6. Mortgage insurance premiums.*
- Sec. 7. Rehabilitation loans.*
- Sec. 8. Discretionary action.*
- Sec. 9. Insurance of condominiums.*
- Sec. 10. Mutual Mortgage Insurance Fund.*
- Sec. 11. Hawaiian home lands and Indian reservations.*
- Sec. 12. Conforming and technical amendments.*

Sec. 13. Home equity conversion mortgages.

Sec. 14. Conforming loan limit in disaster areas.

Sec. 15. Participation of mortgage brokers and correspondent lenders.

Sec. 16. Sense of Congress regarding technology for financial systems.

Sec. 17. Savings provision.

Sec. 18. Implementation.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) *FINDINGS.*—*The Congress finds that—*

3 (1) *one of the primary missions of the Federal*
4 *Housing Administration (FHA) single family mort-*
5 *gage insurance program is to reach borrowers who are*
6 *underserved, or not served, by the existing conven-*
7 *tional mortgage marketplace;*

8 (2) *the FHA program has a long history of inno-*
9 *vation, which includes pioneering the 30-year self-am-*
10 *ortizing mortgage and a safe-to-seniors reverse mort-*
11 *gage product, both of which were once thought too*
12 *risky to private lenders;*

13 (3) *the FHA single family mortgage insurance*
14 *program traditionally has been a major provider of*
15 *mortgage insurance for home purchases;*

16 (4) *the FHA mortgage insurance premium struc-*
17 *ture, as well as FHA's product offerings, should be re-*
18 *vised to reflect FHA's enhanced ability to determine*
19 *risk at the loan level and to allow FHA to better re-*
20 *spond to changes in the mortgage market;*

21 (5) *during past recessions, including the oil-*
22 *patch downturns in the mid-1980s, FHA remained a*

1 *viable credit enhancer and was therefore instrumental*
2 *in preventing a more catastrophic collapse in housing*
3 *markets and a greater loss of homeowner equity; and*

4 *(6) as housing price appreciation slows and in-*
5 *terest rates rise, many homeowners and prospective*
6 *homebuyers will need the less-expensive, safer financ-*
7 *ing alternative that FHA mortgage insurance pro-*
8 *vides.*

9 *(b) PURPOSES.—The purposes of this Act are—*

10 *(1) to provide flexibility to FHA to allow for the*
11 *insurance of housing loans for low- and moderate-in-*
12 *come homebuyers during all economic cycles in the*
13 *mortgage market;*

14 *(2) to modernize the FHA single family mort-*
15 *gage insurance program by making it more reflective*
16 *of enhancements to loan-level risk assessments and*
17 *changes to the mortgage market; and*

18 *(3) to adjust the loan limits for the single family*
19 *mortgage insurance program to reflect rising house*
20 *prices and the increased costs associated with new*
21 *construction.*

22 **SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

23 *Paragraph (2) of section 203(b) of the National Hous-*
24 *ing Act (12 U.S.C. 1709(b)(2)) is amended—*

1 (1) *by striking subparagraphs (A) and (B) and*
2 *inserting the following new subparagraphs:*

3 “(A) *not to exceed the lesser of—*

4 “(i) *in the case of a 1-family residence,*
5 *the median 1-family house price in the*
6 *area, as determined by the Secretary; and*
7 *in the case of a 2-, 3-, or 4-family residence,*
8 *the percentage of such median price that*
9 *bears the same ratio to such median price*
10 *as the dollar amount limitation in effect*
11 *under section 305(a)(2) of the Federal*
12 *Home Loan Mortgage Corporation Act (12*
13 *U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family*
14 *residence, respectively, bears to the dollar*
15 *amount limitation in effect under such sec-*
16 *tion for a 1-family residence; or*

17 “(ii) *the dollar amount limitation de-*
18 *termined under such section 305(a)(2) for a*
19 *residence of the applicable size;*

20 *except that the dollar amount limitation in effect*
21 *for any area under this subparagraph may not*
22 *be less than the greater of (I) the dollar amount*
23 *limitation in effect under this section for the*
24 *area on October 21, 1998, or (II) 65 percent of*
25 *the dollar limitation determined under such sec-*

1 *tion 305(a)(2) for a residence of the applicable*
2 *size; and*

3 *“(B) not to exceed the appraised value of*
4 *the property, plus any initial service charges,*
5 *appraisal, inspection and other fees in connec-*
6 *tion with the mortgage as approved by the Sec-*
7 *retary.”;*

8 *(2) in the matter after and below subparagraph*
9 *(B), by striking the second sentence (relating to a def-*
10 *inition of “average closing cost”) and all that follows*
11 *through “title 38, United States Code”; and*

12 *(3) by striking the last undesignated paragraph*
13 *(relating to counseling with respect to the responsibil-*
14 *ities and financial management involved in home-*
15 *ownership).*

16 **SEC. 4. EXTENSION OF MORTGAGE TERM.**

17 *Paragraph (3) of section 203(b) of the National Hous-*
18 *ing Act (12 U.S.C. 1709(b)(3)) is amended—*

19 *(1) by striking “thirty-five years” and inserting*
20 *“forty years”; and*

21 *(2) by striking “(or thirty years if such mortgage*
22 *is not approved for insurance prior to construction)”.*

23 **SEC. 5. CASH INVESTMENT REQUIREMENT.**

24 *Paragraph (9) of section 203(b) of the National Hous-*
25 *ing Act (12 U.S.C. 1709(b)(9)) is amended by striking the*

1 *paragraph designation and all that follows through “Pro-*
 2 *vided further, That for” and inserting the following:*

3 *“(9) Be executed by a mortgagor who shall have*
 4 *paid on account of the property, in cash or its equiv-*
 5 *alent, an amount, if any, as the Secretary may deter-*
 6 *mine based on factors determined by the Secretary*
 7 *and commensurate with the likelihood of default.*
 8 *For”.*

9 **SEC. 6. MORTGAGE INSURANCE PREMIUMS.**

10 *Section 203(c) of the National Housing Act (12 U.S.C.*
 11 *1709(c)) is amended—*

12 *(1) in paragraph (2), in the matter preceding*
 13 *subparagraph (A), by striking “Notwithstanding”*
 14 *and inserting “Except as provided in paragraph (3)*
 15 *and notwithstanding”; and*

16 *(2) by adding at the end the following new para-*
 17 *graph:*

18 *“(3) FLEXIBLE RISK-BASED PREMIUMS.—*

19 *“(A) IN GENERAL.—For any mortgage insured*
 20 *by the Secretary under this title that is secured by a*
 21 *1- to 4-family dwelling and for which the loan appli-*
 22 *cation is received by the mortgagee on or after Octo-*
 23 *ber 1, 2006, the Secretary may establish a mortgage*
 24 *insurance premium structure involving a single pre-*
 25 *mium payment collected prior to the insurance of the*

1 mortgage or periodic payments, or both, without re-
2 gard to any maximum or minimum premium
3 amounts set forth in this subsection. The rate of pre-
4 mium for such a mortgage may vary during the
5 mortgage term as long as the basis for determining
6 the variable rate is established before the execution of
7 the mortgage. The Secretary may change a premium
8 structure established under this subparagraph but
9 only to the extent that such change is not applied to
10 any mortgage already executed.

11 “(B) *ESTABLISHMENT AND ALTERATION OF PRE-*
12 *MIUM STRUCTURE.*—A premium structure shall be es-
13 tablished or changed under subparagraph (A) only by
14 providing notice to mortgagees and to the Congress, at
15 least 30 days before the premium structure is estab-
16 lished or changed.

17 “(C) *CONSIDERATIONS FOR PREMIUM STRUC-*
18 *TURE.*—When establishing a premium structure
19 under subparagraph (A) or when changing such a
20 premium structure, the Secretary shall consider the
21 following:

22 “(i) *The effect of the proposed premium*
23 *structure on the Secretary’s ability to meet the*
24 *operational goals of the Mutual Mortgage Insur-*
25 *ance Fund as provided in section 202(a).*

1 “(ii) Underwriting variables.

2 “(iii) The extent to which new pricing
3 under the proposed premium structure has po-
4 tential for acceptance in the private market.

5 “(iv) The administrative capability of the
6 Secretary to administer the proposed premium
7 structure.

8 “(v) The effect of the proposed premium
9 structure on the Secretary’s ability to maintain
10 the availability of mortgage credit and provide
11 stability to mortgage markets.”.

12 **SEC. 7. REHABILITATION LOANS.**

13 Subsection (k) of section 203 of the National Housing
14 Act (12 U.S.C. 1709(k)) is amended—

15 (1) in paragraph (1), by striking “on” and all
16 that follows through “1978”; and

17 (2) in paragraph (5)—

18 (A) by striking “General Insurance Fund”
19 the first place it appears and inserting “Mutual
20 Mortgage Insurance Fund”; and

21 (B) in the second sentence, by striking the
22 comma and all that follows through “General In-
23 surance Fund”.

24 **SEC. 8. DISCRETIONARY ACTION.**

25 The National Housing Act is amended—

1 (1) *in subsection (e) of section 202 (12 U.S.C.*
2 *1708(e))—*

3 (A) *in paragraph (3)(B), by striking “sec-*
4 *tion 202(e) of the National Housing Act” and*
5 *inserting “this subsection”; and*

6 (B) *by redesignating such subsection as sub-*
7 *section (f);*

8 (2) *by striking paragraph (4) of section 203(s)*
9 *(12 U.S.C. 1709(s)(4)) and inserting the following*
10 *new paragraph:*

11 “*(4) the Secretary of Agriculture;”*; and

12 (3) *by transferring subsection (s) of section 203*
13 *(as amended by paragraph (2) of this section) to sec-*
14 *tion 202, inserting such subsection after subsection*
15 *(d) of section 202, and redesignating such subsection*
16 *as subsection (e).*

17 **SEC. 9. INSURANCE OF CONDOMINIUMS.**

18 (a) *IN GENERAL.—Section 234 of the National Hous-*
19 *ing Act (12 U.S.C. 1715y) is amended—*

20 (1) *in subsection (c)—*

21 (A) *in the first sentence—*

22 (i) *by striking “and” before “(2)”*; and

23 (ii) *by inserting before the period at*
24 *the end the following: “, and (3) the project*

1 has a blanket mortgage insured by the Sec-
2 retary under subsection (d)”; and

3 (B) in clause (B) of the third sentence, by
4 striking “thirty-five years” and inserting “forty
5 years”; and

6 (2) in subsection (g), by striking “, except that”
7 and all that follows and inserting a period.

8 (b) *DEFINITION OF MORTGAGE.*—Section 201(a) of the
9 National Housing Act (12 U.S.C. 1707(a)) is amended—

10 (1) in clause (1), by striking “or” and inserting
11 a comma; and

12 (2) by inserting before the semicolon the fol-
13 lowing: “, or (c) a first mortgage given to secure the
14 unpaid purchase price of a fee interest in, or long-
15 term leasehold interest in, a one-family unit in a
16 multifamily project, including a project in which the
17 dwelling units are attached, semi-detached, or de-
18 tached, and an undivided interest in the common
19 areas and facilities which serve the project”.

20 **SEC. 10. MUTUAL MORTGAGE INSURANCE FUND.**

21 (a) *IN GENERAL.*—Subsection (a) of section 202 of the
22 National Housing Act (12 U.S.C. 1708(a)) is amended to
23 read as follows:

24 “(a) *MUTUAL MORTGAGE INSURANCE FUND.*—

1 “(1) *ESTABLISHMENT.*—Subject to the provisions
2 of the *Federal Credit Reform Act of 1990*, there is
3 hereby created a *Mutual Mortgage Insurance Fund*
4 (in this title referred to as the ‘*Fund*’), which shall be
5 used by the Secretary to carry out the provisions of
6 this title with respect to mortgages insured under sec-
7 tion 203. The Secretary may enter into commitments
8 to guarantee, and may guarantee, such insured mort-
9 gages.

10 “(2) *LIMIT ON LOAN GUARANTEES.*—The author-
11 ity of the Secretary to enter into commitments to
12 guarantee such insured mortgages shall be effective for
13 any fiscal year only to the extent that the aggregate
14 original principal loan amount under such mort-
15 gages, any part of which is guaranteed, does not ex-
16 ceed the amount specified in appropriations Acts for
17 such fiscal year.

18 “(3) *FIDUCIARY RESPONSIBILITY.*—The Sec-
19 retary has a responsibility to ensure that the *Mutual*
20 *Mortgage Insurance Fund* remains financially sound.

21 “(4) *ANNUAL INDEPENDENT ACTUARIAL*
22 *STUDY.*—The Secretary shall provide for an inde-
23 pendent actuarial study of the *Fund* to be conducted
24 annually, which shall analyze the financial position
25 of the *Fund*. The Secretary shall submit a report an-

1 *nually to the Congress describing the results of such*
2 *study and assessing the financial status of the Fund.*
3 *The report shall recommend adjustments to under-*
4 *writing standards, program participation, or pre-*
5 *miums, if necessary, to ensure that the Fund remains*
6 *financially sound.*

7 “(5) *QUARTERLY REPORTS.—During each fiscal*
8 *year, the Secretary shall submit a report to the Con-*
9 *gress for each quarter, which shall specify for mort-*
10 *gages that are obligations of the Fund—*

11 “(A) *the cumulative volume of loan guar-*
12 *antee commitments that have been made during*
13 *such fiscal year through the end of the quarter*
14 *for which the report is submitted;*

15 “(B) *the types of loans insured, categorized*
16 *by risk;*

17 “(C) *any significant changes between actual*
18 *and projected claim and prepayment activity;*

19 “(D) *projected versus actual loss rates; and*

20 “(E) *updated projections of the annual sub-*
21 *sidy rates to ensure that increases in risk to the*
22 *Fund are identified and mitigated by adjust-*
23 *ments to underwriting standards, program par-*
24 *ticipation, or premiums, and the financial*
25 *soundness of the Fund is maintained.*

1 *The first quarterly report under this paragraph shall*
2 *be submitted on the last day of the first quarter of fis-*
3 *cal year 2007, or upon the expiration of the 90-day*
4 *period beginning on the date of the enactment of the*
5 *Expanding American Homeownership Act of 2006,*
6 *whichever is later.*

7 “(6) *ADJUSTMENT OF PREMIUMS.—If, pursuant*
8 *to the independent actuarial study of the Fund re-*
9 *quired under paragraph (5), the Secretary determines*
10 *that the Fund is not meeting the operational goals es-*
11 *tablished under paragraph (8) or there is a substan-*
12 *tial probability that the Fund will not maintain its*
13 *established target subsidy rate, the Secretary may ei-*
14 *ther make programmatic adjustments under section*
15 *203 as necessary to reduce the risk to the Fund, or*
16 *make appropriate premium adjustments.*

17 “(7) *OPERATIONAL GOALS.—The operational*
18 *goals for the Fund are—*

19 “(A) *to charge borrowers under loans that*
20 *are obligations of the Fund an appropriate pre-*
21 *mium for the risk that such loans pose to the*
22 *Fund;*

23 “(B) *to minimize the default risk to the*
24 *Fund and to homeowners;*

1 “(C) to curtail the impact of adverse selec-
2 tion on the Fund; and

3 “(D) to meet the housing needs of the bor-
4 rowers that the single family mortgage insurance
5 program under this title is designed to serve.”.

6 (b) *OBLIGATIONS OF FUND.*—*The National Housing*
7 *Act is amended as follows:*

8 (1) *HOMEOWNERSHIP VOUCHER PROGRAM MORT-*
9 *GAGES.*—*In section 203(v) (12 U.S.C. 1709(v))—*

10 (A) by striking “Notwithstanding section
11 202 of this title, the” and inserting “The”; and

12 (B) by striking “General Insurance Fund”
13 the first place such term appears and all that
14 follows and inserting “Mutual Mortgage Insur-
15 ance Fund.”.

16 (2) *HOME EQUITY CONVERSION MORTGAGES.*—
17 *Section 255(i)(2)(A) of the National Housing Act (12*
18 *U.S.C. 1715z-20(i)(2)(A)) is amended by striking*
19 *“General Insurance Fund” and inserting “Mutual*
20 *Mortgage Insurance Fund”.*

21 (c) *CONFORMING AMENDMENTS.*—*The National Hous-*
22 *ing Act is amended—*

23 (1) in section 205 (12 U.S.C. 1711), by striking
24 subsections (g) and (h); and

1 (2) *Subsection (o) of section 203 (12 U.S.C.*
2 *1709(o)).*

3 (3) *Subsection (p) of section 203 (12 U.S.C.*
4 *1709(p)).*

5 (4) *Subsection (q) of section 203 (12 U.S.C.*
6 *1709(q)).*

7 (5) *Section 222 (12 U.S.C. 1715m).*

8 (6) *Section 237 (12 U.S.C. 1715z-2).*

9 (7) *Section 245 (12 U.S.C. 1715z-10).*

10 (b) *DEFINITION OF AREA.—Section 203(u)(2)(A) of*
11 *the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is*
12 *amended by striking “shall” and all that follows and insert-*
13 *ing “means a metropolitan statistical area as established*
14 *by the Office of Management and Budget;”.*

15 (c) *DEFINITION OF STATE.—Section 201(d) of the Na-*
16 *tional Housing Act (12 U.S.C. 1707(d)) is amended by*
17 *striking “the Trust Territory of the Pacific Islands” and*
18 *inserting “the Commonwealth of the Northern Mariana Is-*
19 *lands”.*

20 **SEC. 13. HOME EQUITY CONVERSION MORTGAGES.**

21 (a) *IN GENERAL.—Section 255 of the National Hous-*
22 *ing Act (12 U.S.C. 1715z-20) is amended—*

23 (1) *in subsection (g)—*

24 (A) *by striking the first sentence; and*

1 (B) by striking “established under section
2 203(b)(2)” and all that follows through “located”
3 and inserting “limitation established under sec-
4 tion 305(a)(2) of the Federal Home Loan Mort-
5 gage Corporation Act for a 1-family residence”;
6 (2) in subsection (i)(1)(C), by striking “limita-
7 tions” and inserting “limitation”; and

8 (3) by adding at the end the following new sub-
9 section:

10 “(n) *AUTHORITY TO INSURE HOME PURCHASE MORT-*
11 *GAGE.*—

12 “(1) *IN GENERAL.*—Notwithstanding any other
13 provision in this section, the Secretary may insure,
14 upon application by a mortgagee, a home equity con-
15 version mortgage upon such terms and conditions as
16 the Secretary may prescribe, when the primary pur-
17 pose of the home equity conversion mortgage is to en-
18 able an elderly mortgagor to purchase a 1-to 4 family
19 dwelling in which the mortgagor will occupy or occu-
20 pies one of the units.

21 “(2) *LIMITATION ON PRINCIPAL OBLIGATION.*—A
22 home equity conversion mortgage insured pursuant to
23 paragraph (1) shall involve a principal obligation
24 that does not exceed the dollar amount limitation de-
25 termined under section 305(a)(2) of the Federal Home

1 *Loan Mortgage Corporation Act for a residence of the*
2 *applicable size.”.*

3 *(b) STUDY REGARDING MORTGAGE INSURANCE PRE-*
4 *MIUMS.—The Secretary of Housing and Urban Develop-*
5 *ment shall conduct a study regarding mortgage insurance*
6 *premiums charged under the program under section 255 of*
7 *the National Housing Act (12 U.S.C. 1715z–20) for insur-*
8 *ance of home equity conversion mortgages to analyze and*
9 *determine—*

10 *(1) the effects of reducing the amounts of such*
11 *premiums from the amounts charged as of the date of*
12 *the enactment of this Act on—*

13 *(A) costs to mortgagors; and*

14 *(B) the financial soundness of the program;*

15 *and*

16 *(2) the feasibility and effectiveness of exempting,*
17 *from all the requirements under the program regard-*
18 *ing payment of mortgage insurance premiums (in-*
19 *cluding both up-front or annual mortgage insurance*
20 *premiums under section 203(c)(2) of such Act), any*
21 *mortgage insured under the program under which*
22 *part or all of the amount of future payments made*
23 *to the homeowner are used for costs of a long-term*
24 *care insurance contract covering the mortgagor or*

1 *members of the household residing in the mortgaged*
2 *property.*

3 *Not later than the expiration of the 12-month period begin-*
4 *ning on the date of the enactment of this Act, the Secretary*
5 *shall submit a report to the Congress setting forth the results*
6 *and conclusions of the study.*

7 **SEC. 14. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

8 *Section 203(h) of the National Housing Act (12 U.S.C.*
9 *1709) is amended—*

10 *(1) by inserting after “property” the following:*
11 *“plus any initial service charges, appraisal, inspec-*
12 *tion and other fees in connection with the mortgage*
13 *as approved by the Secretary,”;*

14 *(2) by striking the second sentence (as added by*
15 *chapter 7 of the Emergency Supplemental Appropria-*
16 *tions Act of 1994 (Public Law 103–211; 108 Stat.*
17 *12)); and*

18 *(3) by adding at the end the following new sen-*
19 *tence: “In any case in which the single family resi-*
20 *dence to be insured under this subsection is within a*
21 *jurisdiction in which the President has declared a*
22 *major disaster to have occurred, the Secretary is au-*
23 *thorized, for a temporary period not to exceed 36*
24 *months from the date of such Presidential declaration,*
25 *to enter into agreements to insure a mortgage which*

1 *involves a principal obligation of up to 100 percent*
2 *of the dollar limitation determined under section*
3 *305(a)(2) of the Federal Home Loan Mortgage Cor-*
4 *poration Act for a single family residence, and not in*
5 *excess of 100 percent of the appraised value of the*
6 *property plus any initial service charges, appraisal,*
7 *inspection and other fees in connection with the mort-*
8 *gage as approved by the Secretary.”.*

9 **SEC. 15. PARTICIPATION OF MORTGAGE BROKERS AND**
10 **CORRESPONDENT LENDERS.**

11 *(a) DEFINITIONS.—*

12 *(1) IN GENERAL.—Section 201 of the National*
13 *Housing Act (12 U.S.C. 1707) is amended—*

14 *(A) by striking “As used in section 203 of*
15 *this title—” and inserting “As used in this title*
16 *and for purposes of participation in insurance*
17 *programs under this title, except as specifically*
18 *provided otherwise, the following definitions*
19 *shall apply:”;*

20 *(B) by striking subsection (b) and inserting*
21 *the following:*

22 *“(2) The term ‘mortgagee’ means any of the fol-*
23 *lowing entities, and its successors and assigns, to the*
24 *extent such entity is approved by the Secretary:*

1 “(A) A lender or correspondent lender,
2 who—

3 “(i) makes, underwrites, and services
4 mortgages;

5 “(ii) submits to the Secretary such fi-
6 nancial audits performed in accordance
7 with the standards for financial audits of
8 the Government Auditing Standards issued
9 by the Comptroller of the United States;

10 “(iii) meet the minimum net worth re-
11 quirement that the Secretary shall establish;
12 and

13 “(iv) complies with such other require-
14 ments as the Secretary may establish.

15 “(B) A correspondent lender who—

16 “(i) closes a mortgage in its name but
17 does not underwrite or service the mortgage;

18 “(ii) posts a surety bond, in lieu of
19 any requirement to provide audited finan-
20 cial statements or meet a minimum net
21 worth requirement, in—

22 “(I) a form satisfactory to the
23 Secretary; and

24 “(II) an amount of \$75,000, as
25 such amount is adjusted annually by

1 *the Secretary (as determined under*
2 *regulations of the Secretary) by the*
3 *change for such year in the Consumer*
4 *Price Index for All Urban Consumers*
5 *published monthly by the Bureau of*
6 *Labor Statistics of the Department of*
7 *Labor; and*

8 *“(iii) complies with such other require-*
9 *ments as the Secretary may establish.*

10 *“(C) A mortgage broker who—*

11 *“(i) closes the mortgage in the name of*
12 *the lender and does not make, underwrite,*
13 *or service the mortgage;*

14 *“(ii) is licensed, under the laws of the*
15 *State in which the property that is subject*
16 *to the mortgage is located, to act as a mort-*
17 *gage broker in such State;*

18 *“(iii) posts a surety bond in accord-*
19 *ance with the requirements of subparagraph*
20 *(B)(i); and*

21 *“(iv) complies with such other require-*
22 *ments as the Secretary may establish.*

23 *“(3) The term ‘mortgagor’ includes the original*
24 *borrower under a mortgage and the successors and as-*
25 *signs of the original borrower.”;*

1 (C) in subsection (a), by redesignating
2 clauses (1) and (2) as clauses (A) and (B) re-
3 spectively; and

4 (D) by redesignating subsections (a), (c),
5 (d), (e), and (f) as paragraphs (1), (4), (5), (6),
6 and (7), respectively, and realigning such para-
7 graphs two ems from the left margin.

8 (2) *MORTGAGEE REVIEW*.—Section 202(c)(7) of
9 the National Housing Act (12 U.S.C. 1708(c)(7)) is
10 amended—

11 (A) in subparagraph (A), by inserting “, as
12 defined in section 201,” after “mortgagee”;

13 (B) by striking subparagraph (B); and

14 (C) by redesignating subparagraphs (C) and
15 (D) as subparagraphs (B) and (C), respectively.

16 (3) *MULTIFAMILY RENTAL HOUSING INSUR-*
17 *ANCE*.—Section 207(a)(2) of the National Housing
18 Act (12 U.S.C. 1713(a)(2)) is amended by striking
19 “means the original lender under a mortgage, and its
20 successors and assigns, and” and inserting “has the
21 meaning given such term in section 201, except that
22 such term also”.

23 (4) *WAR HOUSING INSURANCE*.—Section 601(b)
24 of the National Housing Act (12 U.S.C. 1736(b)) is
25 amended by striking “includes the original lender

1 *under a mortgage, and his successors and assigns ap-*
2 *proved by the Secretary” and inserting “has the*
3 *meaning given such term in section 201”.*

4 (5) *ARMED SERVICES HOUSING MORTGAGE IN-*
5 *SURANCE.—Section 801(b) of the National Housing*
6 *Act (12 U.S.C. 1748(b)) is amended by striking “in-*
7 *cludes the original lender under a mortgage, and his*
8 *successors and assigns approved by the Secretary”*
9 *and inserting “has the meaning given such term in*
10 *section 201”.*

11 (6) *GROUP PRACTICE FACILITIES MORTGAGE IN-*
12 *SURANCE.—Section 1106(8) of the National Housing*
13 *Act (12 U.S.C. 1749aaa–5(8)) is amended by striking*
14 *“means the original lender under a mortgage, and his*
15 *or its successors and assigns, and” and inserting “has*
16 *the meaning given such term in section 201, except*
17 *that such term also”.*

18 (b) *ELIGIBILITY FOR INSURANCE.—*

19 (1) *TITLE I.—Paragraph (1) of section 8(b) of*
20 *the National Housing Act (12 U.S.C. 1706c(b)(1)) is*
21 *amended—*

22 (A) *by striking “, and be held by,”; and*

23 (B) *by striking “as responsible and able to*
24 *service the mortgage properly”.*

1 (2) *SINGLE FAMILY HOUSING MORTGAGE INSUR-*
2 *ANCE.—Paragraph (1) of section 203(b) of the Na-*
3 *tional Housing Act (12 U.S.C. 1709(b)(1)) is amend-*
4 *ed*

5 (A) *by striking “, and be held by,”; and*

6 (B) *by striking “as responsible and able to*
7 *service the mortgage properly”.*

8 (3) *SECTION 221 MORTGAGE INSURANCE.— Para-*
9 *graph (1) of section 221(d) of the National Housing*
10 *Act (12 U.S.C. 1715l(d)(1)) is amended—*

11 (A) *by striking “ and be held by”;* and

12 (B) *by striking “as responsible and able to*
13 *service the mortgage properly”.*

14 (4) *HOME EQUITY CONVERSION MORTGAGE IN-*
15 *SURANCE.—Paragraph (1) of section 255(d) of the*
16 *National Housing Act (12 U.S.C. 1715z–20(d)(1)) is*
17 *amended by striking “as responsible and able to serv-*
18 *ice the mortgage properly”.*

19 (5) *WAR HOUSING MORTGAGE INSURANCE.—*
20 *Paragraph (1) of section 603(b) of the National Hous-*
21 *ing Act (12 U.S.C. 1738(b)(1)) is amended—*

22 (A) *by striking “, and be held by,”; and*

23 (B) *by striking “as responsible and able to*
24 *service the mortgage properly”.*

1 (6) *WAR HOUSING MORTGAGE INSURANCE FOR*
2 *LARGE-SCALE HOUSING PROJECTS.*—*Paragraph (1) of*
3 *section 611(b) of the National Housing Act (12 U.S.C.*
4 *1746(b)(1)) is amended—*

5 (A) *by striking “and be held by”; and*

6 (B) *by striking “as responsible and able to*
7 *service the mortgage properly”.*

8 (7) *GROUP PRACTICE FACILITY MORTGAGE IN-*
9 *SURANCE.*—*Section 1101(b)(2) of the National Hous-*
10 *ing Act (12 U.S.C. 1749aaa(b)(2)) is amended—*

11 (A) *by striking “and held by”; and*

12 (B) *by striking “as responsible and able to*
13 *service the mortgage properly”.*

14 (8) *NATIONAL DEFENSE HOUSING INSURANCE.*—
15 *Paragraph (1) of section 903(b) of the National Hous-*
16 *ing Act (12 U.S.C. 1750b(b)(1)) is amended—*

17 (A) *by striking “, and be held by,”; and*

18 (B) *by striking “as responsible and able to*
19 *service the mortgage properly”.*

20 **SEC. 16. SENSE OF CONGRESS REGARDING TECHNOLOGY**
21 **FOR FINANCIAL SYSTEMS.**

22 (a) *CONGRESSIONAL FINDINGS.*—*The Congress finds*
23 *the following:*

24 (1) *The Government Accountability Office has*
25 *cited the FHA single family housing mortgage insur-*

1 *ance program as a “high-risk” program, with a pri-*
2 *mary reason being non-integrated and out-dated fi-*
3 *nancial management systems.*

4 (2) *The “Audit of the Federal Housing Adminis-*
5 *tration’s Financial Statements for Fiscal Years 2004*
6 *and 2003”, conducted by the Inspector General of the*
7 *Department of Housing and Urban Development re-*
8 *ported as a material weakness that “HUD/FHA’s*
9 *automated data processing [ADP] system environ-*
10 *ment must be enhanced to more effectively support*
11 *FHA’s business and budget processes”.*

12 (3) *Existing technology systems for the FHA*
13 *program have not been updated to meet the latest*
14 *standards of the Mortgage Industry Standards Main-*
15 *tenance Organization and have numerous deficiencies*
16 *that lenders have outlined.*

17 (4) *Improvements to technology used in the FHA*
18 *program will—*

19 (A) *allow the FHA program to improve the*
20 *management of the FHA portfolio, garner great-*
21 *er efficiencies in its operations, and lower costs*
22 *across the program;*

23 (B) *result in efficiencies and lower costs for*
24 *lenders participating in the program, allowing*
25 *them to better use the FHA products in extend-*

1 *ing homeownership opportunities to higher credit*
2 *risk or lower-income families, in a sound man-*
3 *ner*

4 *(5) The Mutual Mortgage Insurance Fund oper-*
5 *ates without cost to the taxpayers and generates reve-*
6 *nuues for the Federal Government.*

7 *(b) SENSE OF CONGRESS.—It is the sense of the Con-*
8 *gress that—*

9 *(1) the Secretary of Housing and Urban Devel-*
10 *opment should use a portion of the funds received*
11 *from premiums paid for FHA single family housing*
12 *mortgage insurance that are in excess of the amounts*
13 *paid out in claims to substantially increase the fund-*
14 *ing for technology used in such FHA program;*

15 *(2) the goal of this investment should be to bring*
16 *the technology used in such FHA program to the level*
17 *and sophistication of the technology used in the con-*
18 *ventional mortgage lending market, or to exceed such*
19 *level; and*

20 *(3) the Secretary of Housing and Urban Devel-*
21 *opment should report to the Congress not later than*
22 *180 days after the date of the enactment of this Act*
23 *regarding the progress the Department is making to-*
24 *ward such goal and if progress is not sufficient, the*
25 *resources needed to make greater progress.*

1 **SEC. 17. SAVINGS PROVISION.**

2 *Any mortgage insured under title II of the National*
3 *Housing Act before the date of enactment of this title shall*
4 *continue to be governed by the laws, regulations, orders, and*
5 *terms and conditions to which it was subject on the day*
6 *before the date of the enactment of this Act.*

7 **SEC. 18. IMPLEMENTATION.**

8 *The Secretary of Housing and Urban Development*
9 *shall by notice establish any additional requirements that*
10 *may be necessary to immediately carry out the provisions*
11 *of this title. The notice shall take effect upon issuance.*

Union Calendar No. 340

109TH CONGRESS
2^D SESSION

H. R. 5121

[Report No. 109-589]

A BILL

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

JULY 20, 2006

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed