

110TH CONGRESS  
1ST SESSION

# H. R. 1852

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.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2007

Ms. WATERS (for herself and Mr. FRANK of Massachusetts) introduced the following bill; which was referred to the Committee on Financial Services

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## 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  
5 “Expanding American Homeownership Act of 2007”.

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. Downpayment simplification.
- Sec. 6. Mortgage insurance premiums for zero- and lower-downpayment borrowers.
- Sec. 7. Mortgage insurance premiums for standard and higher-risk borrowers.
- Sec. 8. Risk-based mortgage insurance premiums.
- Sec. 9. Payment incentives.
- Sec. 10. Borrower protections for higher risk mortgages.
- Sec. 11. Annual reports on new programs and loss mitigation.
- Sec. 12. Rehabilitation loans.
- Sec. 13. Discretionary action.
- Sec. 14. Insurance of condominiums.
- Sec. 15. Mutual Mortgage Insurance Fund.
- Sec. 16. Hawaiian home lands and Indian reservations.
- Sec. 17. Conforming and technical amendments.
- Sec. 18. Home equity conversion mortgages.
- Sec. 19. Conforming loan limit in disaster areas.
- Sec. 20. Sense of Congress regarding technology for financial systems.
- Sec. 21. Multifamily housing mortgage limits in high cost areas.
- Sec. 22. Valuation of multifamily properties in noncompetitive sales by HUD to States and localities.
- Sec. 23. Use of FHA savings for affordable housing grant fund.
- Sec. 24. Savings provision.
- Sec. 25. 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  
 6 are underserved, or not served, by the existing con-  
 7 ventional mortgage marketplace;

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

1           (3) the FHA single family mortgage insurance  
2 program traditionally has been a major provider of  
3 mortgage insurance for home purchases;

4           (4) the FHA mortgage insurance premium  
5 structure, as well as FHA's product offerings,  
6 should be revised to reflect FHA's enhanced ability  
7 to determine risk at the loan level and to allow FHA  
8 to better respond to changes in the mortgage mar-  
9 ket;

10          (5) during past recessions, including the oil-  
11 patch downturns in the mid-1980s, FHA remained  
12 a viable credit enhancer and was therefore instru-  
13 mental in preventing a more catastrophic collapse in  
14 housing markets and a greater loss of homeowner  
15 equity; and

16          (6) as housing price appreciation slows and in-  
17 terest rates rise, many homeowners and prospective  
18 homebuyers will need the less-expensive, safer fi-  
19 nancing alternative that FHA mortgage insurance  
20 provides.

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

22          (1) to provide flexibility to FHA to allow for  
23 the insurance of housing loans for low- and mod-  
24 erate-income homebuyers during all economic cycles  
25 in the mortgage market;

1           (2) to modernize the FHA single family mort-  
2           gage insurance program by making it more reflective  
3           of enhancements to loan-level risk assessments and  
4           changes to the mortgage market; and

5           (3) to adjust the loan limits for the single fam-  
6           ily mortgage insurance program to reflect rising  
7           house prices and the increased costs associated with  
8           new construction.

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

10          Section 203(b)(2) of the National Housing Act (12  
11   U.S.C. 1709(b)(2)) is amended by striking subparagraph  
12   (A) and inserting the following new subparagraph:

13                   “(A) not to exceed the lesser of—

14                           “(i) in the case of a 1-family resi-  
15                           dence, the median 1-family house price in  
16                           the area, as determined by the Secretary;  
17                           and in the case of a 2-, 3-, or 4-family resi-  
18                           dence, the percentage of such median  
19                           price that bears the same ratio to such me-  
20                           dian price as the dollar amount limitation  
21                           in effect under section 305(a)(2) of the  
22                           Federal Home Loan Mortgage Corporation  
23                           Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or  
24                           4-family residence, respectively, bears to  
25                           the dollar amount limitation in effect

1 under such section for a 1-family resi-  
2 dence; or

3 “(ii) the dollar amount limitation de-  
4 termined under such section 305(a)(2) for  
5 a residence of the applicable size;

6 except that the dollar amount limitation in ef-  
7 fect for any area under this subparagraph may  
8 not be less than the greater of (I) the dollar  
9 amount limitation in effect under this section  
10 for the area on October 21, 1998, or (II) 65  
11 percent of the dollar limitation determined  
12 under such section 305(a)(2) for a residence of  
13 the applicable size; and”.

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

15 Paragraph (3) of section 203(b) of the National  
16 Housing Act (12 U.S.C. 1709(b)(3)) is amended—

17 (1) by striking “thirty-five years” and inserting  
18 “forty years”; and

19 (2) by striking “(or thirty years if such mort-  
20 gage is not approved for insurance prior to construc-  
21 tion)”.

22 **SEC. 5. DOWNPAYMENT SIMPLIFICATION.**

23 Section 203(b) of the National Housing Act (12  
24 U.S.C. 1709(b)) is amended—

25 (1) in paragraph (2)—

1 (A) by striking subparagraph (B) and in-  
2 serting the following new subparagraph:

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

5 “(i) the amount of the mortgage pre-  
6 mium paid at the time the mortgage is in-  
7 sured; and

8 “(ii)(I) except as provided in sub-  
9 clause (II), 97.75 percent of the appraised  
10 value of the property; or

11 “(II) in the case only of a mortgage  
12 described in subsection (c)(3), the ap-  
13 praised value of the property, plus any ini-  
14 tial service charges, appraisal, inspection,  
15 and other fees in connection with the mort-  
16 gage as approved by the Secretary.”;

17 (B) in the matter after and below subpara-  
18 graph (B), by striking the second sentence (re-  
19 lating to a definition of “average closing cost”)  
20 and all that follows through “title 38, United  
21 States Code.”; and

22 (C) by striking the last undesignated para-  
23 graph (relating to counseling with respect to  
24 the responsibilities and financial management  
25 involved in homeownership); and

1           (2) in paragraph (9), by striking the paragraph  
2 designation and all that follows through “*Provided*  
3 *further*, That for” and inserting the following:

4           “(9) Except in the case of a mortgage described  
5 in subsection (c)(3), be executed by a mortgagor who  
6 shall have paid on account of the property, in cash  
7 or its equivalent, at least 3 percent of the Sec-  
8 retary’s estimate of the cost of acquisition (excluding  
9 the mortgage insurance premium paid at the time  
10 the mortgage is insured). For”.

11 **SEC. 6. MORTGAGE INSURANCE PREMIUMS FOR ZERO- AND**  
12 **LOWER-DOWNPAYMENT BORROWERS.**

13           Section 203(c) of the National Housing Act (12  
14 U.S.C. 1709(c) is amended by adding at the end the fol-  
15 lowing new paragraph:

16           “(3) ZERO- AND LOWER-DOWNPAYMENT BOR-  
17 ROWERS.—

18           “(A) APPLICABILITY.—This paragraph shall  
19 apply to any mortgage that—

20           “(i) is secured by a 1- to 4-family dwelling;

21           “(ii)(I) is an obligation of the Mutual  
22 Mortgage Insurance Fund or of the General In-  
23 surance Fund pursuant to subsection (v) of this  
24 section; or

1           “(II) is insured under subsection (k) of  
2 this section or section 234(c); and

3           “(iii)(I) is executed by a mortgagor who is  
4 a first-time homebuyer; and

5           “(II)(aa) involves a principal obligation  
6 that does not comply with subclause (I) of sub-  
7 section (b)(2)(B)(ii) (relating to loan-to-value  
8 ratio); or

9           “(bb) is executed by a mortgagor who has  
10 not paid on account of the property, in cash or  
11 its equivalent, at least 3 percent of the Sec-  
12 retary’s estimate of the cost of acquisition (ex-  
13 cluding the mortgage insurance premium paid  
14 at the time the mortgage is insured).

15           “(B) UP-FRONT PREMIUMS.—Except as pro-  
16 vided in subparagraph (D), the amount of any single  
17 premium payment collected at the time of insurance  
18 may not exceed 3.0 percent of the amount of the  
19 original insured principal obligation of the mortgage.

20           “(C) ANNUAL PREMIUMS.—Except as provided  
21 in subparagraph (D), the amount of any annual pre-  
22 mium payment collected may not exceed 0.75 per-  
23 cent of the remaining insured principal obligation of  
24 the mortgage.

1           “(D) ANNUAL REDETERMINATION OF PREMIUM  
2           RATE.—The Secretary shall redetermine the rates of  
3           premiums not less than once every 12 months and  
4           may establish such rates upon any such redeter-  
5           mination at an amount in excess of the amounts  
6           under subparagraphs (B) and (C), but only to the  
7           extent that such increased rates are commensurate  
8           with the additional credit risk associated with such  
9           a mortgage.”.

10 **SEC. 7. MORTGAGE INSURANCE PREMIUMS FOR STANDARD**  
11 **AND HIGHER-RISK BORROWERS.**

12           Paragraph (2) of section 203(c) of the National  
13 Housing Act (12 U.S.C. 1709(c)(2)) is amended—

14           (1) by striking the matter that precedes sub-  
15 paragraph (A) and inserting the following:

16           “(2) STANDARD-RISK MORTGAGES.—In the case of  
17 any mortgage that is secured by a 1- to 4-family dwelling,  
18 is an obligation of the Mutual Mortgage Insurance Fund  
19 or of the General Insurance Fund pursuant to subsection  
20 (v) of this section or is insured under subsection (k) of  
21 this section or section 234(c), for which the mortgagor has  
22 paid on account of the property, in cash or its equivalent,  
23 at least 3 percent of the Secretary’s estimate of the cost  
24 of acquisition (excluding the mortgage insurance premium  
25 paid at the time the mortgage is insured), and that in-

1 volves a principal obligation that complies with subclause  
2 (I) of subsection (b)(2)(B)(ii), the following requirements  
3 shall apply:”; and

4 (2) by adding at the end the following new sub-  
5 paragraph:

6 “(C) HIGHER-RISK BORROWERS.—The Sec-  
7 retary shall establish underwriting standards, includ-  
8 ing premium payments that comply with the require-  
9 ments of this paragraph, that provide for insurance  
10 under this section of mortgages described in the  
11 matter in this paragraph preceding subparagraph  
12 (A) for which the mortgagor has a credit score  
13 equivalent to a FICO score of less than 560, and  
14 may insure, and make commitments to insure, such  
15 mortgages.”.

16 **SEC. 8. RISK-BASED MORTGAGE INSURANCE PREMIUMS.**

17 Section 203(c) of the National Housing Act (12  
18 U.S.C. 1709(c)), as amended by the preceding provisions  
19 of this Act, is further amended by adding at the end the  
20 following new paragraphs:

21 “(4) FLEXIBLE RISK-BASED PREMIUMS.—In the  
22 case of a mortgage referred to in paragraph (2)(C) or  
23 (3)(A) for which the loan application is received by the  
24 mortgagee on or after October 1, 2007:

1           “(A) IN GENERAL.—The Secretary may estab-  
2           lish a mortgage insurance premium structure involv-  
3           ing a single premium payment collected prior to the  
4           insurance of the mortgage or annual payments  
5           (which may be collected on a periodic basis), or both,  
6           subject to the requirements of subparagraph (B) and  
7           paragraph (5). Under such structure, the rate of  
8           premiums for such a mortgage may vary according  
9           to the credit risk associated with the mortgage and  
10          the rate of any annual premium for such a mortgage  
11          may vary during the mortgage term as long as the  
12          basis for determining the variable rate is established  
13          before the execution of the mortgage. The Secretary  
14          may change a premium structure established under  
15          this subclause but only to the extent that such  
16          change is not applied to any mortgage already exe-  
17          cuted.

18           “(B) ESTABLISHMENT AND ALTERATION OF  
19          PREMIUM STRUCTURE.—A premium structure shall  
20          be established or changed under subparagraph (A)  
21          only by providing notice to mortgagees and to the  
22          Congress, at least 30 days before the premium  
23          structure is established or changed.

24           “(C) ANNUAL REPORT REGARDING PRE-  
25          MIUMS.—The Secretary shall submit a report to the

1 Congress annually setting forth the rate structures  
2 and rates established and altered pursuant to this  
3 paragraph during the preceding 12-month period  
4 and describing how such rates were determined.

5 “(5) CONSIDERATIONS FOR PREMIUM STRUCTURE.—

6 When establishing premiums for mortgages referred to in  
7 paragraph (2)(C), establishing premiums pursuant to  
8 paragraph (3), establishing a premium structure under  
9 paragraph (4), and when changing such a premium struc-  
10 ture, the Secretary shall consider the following:

11 “(A) The effect of the proposed premiums or  
12 structure on the Secretary’s ability to meet the oper-  
13 ational goals of the Mutual Mortgage Insurance  
14 Fund as provided in section 202(a).

15 “(B) Underwriting variables.

16 “(C) The extent to which new pricing under the  
17 proposed premiums or structure has potential for ac-  
18 ceptance in the private market.

19 “(D) The administrative capability of the Sec-  
20 retary to administer the proposed premiums or  
21 structure.

22 “(E) The effect of the proposed premiums or  
23 structure on the Secretary’s ability to maintain the  
24 availability of mortgage credit and provide stability  
25 to mortgage markets.

1       “(6) AUTHORITY TO BASE PREMIUM PRICES ON  
2 PRODUCT RISK.—

3           “(A) AUTHORITY.—In establishing premium  
4 rates under paragraphs (2), (3), and (4), the Sec-  
5 retary may provide for variations in such rates ac-  
6 cording to the credit risk associated with the type of  
7 mortgage product that is being insured under this  
8 title, which may include providing that premium  
9 rates differ between fixed-rate mortgages and ad-  
10 justable-rate mortgages insured pursuant to section  
11 251, between mortgages insured pursuant to section  
12 203(b) and mortgages for condominiums insured  
13 pursuant to section 234, and between such other  
14 products as the Secretary considers appropriate.

15           “(B) LIMITATION.—Subparagraph (A) may not  
16 be construed to authorize the Secretary to establish,  
17 for any mortgage product, any mortgage insurance  
18 premium rate that does not comply with the require-  
19 ments and limitations under paragraphs (2) through  
20 (5).”.

21 **SEC. 9. PAYMENT INCENTIVES.**

22       Section 203(c) of the National Housing Act (12  
23 U.S.C. 1709(c)), as amended by the preceding provisions  
24 of this Act, is further amended by adding at the end the  
25 following new paragraph:

1 “(7) PAYMENT INCENTIVES.—

2 “(A) AUTHORITY.—With respect to mortgages  
3 referred to in paragraph (2)(C) or (3):

4 “(i) DISCRETIONARY 3-YEAR PAYMENT IN-  
5 CENTIVE.—The Secretary may provide, in the  
6 discretion of the Secretary, that the payment  
7 incentive under subparagraph (B) shall apply  
8 upon the expiration of the 3-year period begin-  
9 ning upon the time of insurance of such a mort-  
10 gage.

11 “(ii) MANDATORY 5-YEAR PAYMENT INCEN-  
12 TIVE.—The Secretary shall provide that the  
13 payment incentive under subparagraph (B) ap-  
14 plies upon the expiration of the 5-year period  
15 beginning upon the time of insurance of such a  
16 mortgage.

17 “(B) PAYMENT INCENTIVE.—In the case of any  
18 mortgage to which the payment incentive under this  
19 subparagraph applies, if, during the period referred  
20 to in clause (i) or (ii) of subparagraph (A), as appli-  
21 cable, all mortgage insurance premiums for such  
22 mortgage have been paid on a timely basis, upon the  
23 expiration of such period the Secretary shall—

1           “(i) reduce the amount of the annual pre-  
2           mium payments otherwise due thereafter under  
3           such mortgage—

4                   “(I) in the case of a mortgage re-  
5                   ferred to in paragraph (3), to an amount  
6                   that does not exceed the amount of the  
7                   maximum annual premium allowable under  
8                   paragraph (2)(B); and

9                   “(II) in the case of a mortgage re-  
10                  ferred to in paragraph (2)(C), to an  
11                  amount that does not exceed the amount of  
12                  the annual premium payable at the time of  
13                  insurance of the mortgage on a mortgage  
14                  of the same product type having the same  
15                  terms, but for which the mortgagor has a  
16                  credit score equivalent to a FICO score of  
17                  560 or more; and

18                  “(ii) in the case only of a mortgage re-  
19                  ferred to in paragraph (2)(C), refund to the  
20                  mortgagor, upon payment in full of the obliga-  
21                  tion of the mortgage, any amount by which the  
22                  single premium payment for such mortgage col-  
23                  lected at the time of insurance exceeded the  
24                  amount of the single premium payment charge-  
25                  able under paragraph (2)(A) at the time of in-

1           surance for a mortgage of the same product  
2           type having the same terms, but for which the  
3           mortgagor has a credit score equivalent to a  
4           FICO score of 560 or more.”.

5 **SEC. 10. BORROWER PROTECTIONS FOR HIGHER RISK**  
6                                   **MORTGAGES.**

7           (a) IN GENERAL.—Section 203(b) of the National  
8 Housing Act (12 U.S.C. 1709(b)) is amended by adding  
9 at the end the following new paragraph:

10                           “(10) BORROWER PROTECTIONS FOR CERTAIN  
11 MORTGAGES.—Except as otherwise specifically pro-  
12 vided in this paragraph, in the case of any mortgage  
13 referred to in paragraph (2)(C) or (3) of subsection  
14 (c), the following requirements shall apply:

15                                   “(A) DISCLOSURES.—

16   “(i) REQUIRED DISCLOSURES.—In ad-  
17 dition to any disclosures that are otherwise  
18 required by law or by the Secretary for  
19 single family mortgages, the mortgagee  
20 shall disclose to the mortgagor the fol-  
21 lowing information:

22   “(I) AT APPLICATION.—At the  
23 time of application for the loan in-  
24 volved in the mortgage—

1           “(aa) a list of counseling  
2 agencies approved by the Sec-  
3 retary in the area of the appli-  
4 cant; and

5           “(bb) if the mortgagor is not  
6 provided counseling in accord-  
7 ance with subparagraph (B), the  
8 information required under sub-  
9 clauses (I), (II), and (III) of sub-  
10 subparagraph (B)(iii) to be provided  
11 to the mortgagor.

12           “(II) AT EXECUTION.—At the  
13 time of entering into the mortgage—

14           “(aa) the terms of the man-  
15 datory 5-year payment incentive  
16 required under subsection  
17 (c)(7)(A)(ii); and

18           “(bb) a statement that the  
19 mortgagor has a right under con-  
20 tract to loss mitigation.

21           “(III) OTHER INFORMATION.—  
22 Any other additional information that  
23 the Secretary determines is appro-  
24 priate to ensure that the mortgagor  
25 has received timely and accurate in-

1 formation about the program under  
2 paragraph (2)(C) or (3) of subsection  
3 (c), as applicable.

4 “(ii) PENALTIES FOR FAILURE TO  
5 PROVIDE REQUIRED DISCLOSURES.—The  
6 Secretary may establish and impose appro-  
7 priate penalties for failure of a mortgagee  
8 to provide any disclosure required under  
9 clause (i).

10 “(iii) NO PRIVATE RIGHT OF AC-  
11 TION.—This subparagraph shall not create  
12 any private right of action on behalf of the  
13 mortgagor.

14 “(B) COUNSELING.—

15 “(i) ALLOWABLE REQUIREMENT.—  
16 The Secretary may, in the discretion of the  
17 Secretary, require that the mortgagor shall  
18 have received counseling that complies with  
19 the requirements of this subparagraph.

20 “(ii) TERMS OF COUNSELING.—Coun-  
21 seling under this subparagraph shall be  
22 provided—

23 “(I) prior to application for the  
24 loan involved in the mortgage;

1           “(II) by a third party (other than  
2           the mortgagee) who is approved by  
3           the Secretary, with respect to the re-  
4           sponsibilities and financial manage-  
5           ment involved in homeownership;

6           “(III) on an individual basis to  
7           the mortgagor by a representative of  
8           the approved third-party counseling  
9           entity; and

10           “(IV) in person, to the maximum  
11           extent possible.

12           “(iii) TOPICS.—In the case only of a  
13           mortgage referred to in subsection (c)(3),  
14           counseling under this subparagraph shall  
15           include providing to, and discussing with,  
16           the mortgagor—

17           “(I) information regarding home-  
18           ownership options other than a mort-  
19           gage that is subject to this paragraph,  
20           other zero- or low-downpayment mort-  
21           gage options that are or may become  
22           available to the mortgagor, the finan-  
23           cial implications of entering into a  
24           mortgage (including a mortgage sub-  
25           ject to this paragraph), and any other

1 information that the Secretary may  
2 require;

3 “(II) a written disclosure that  
4 sets forth the amount and the per-  
5 centage by which a property with a  
6 mortgage that is subject to this para-  
7 graph must appreciate for the mort-  
8 gator to recover the principal amount  
9 of the mortgage, the costs financed  
10 under the mortgage, and the esti-  
11 mated costs involved in selling the  
12 property, if the mortgagor were to sell  
13 the property on each of the second,  
14 fifth, and tenth anniversaries of the  
15 mortgage; and

16 “(III) a written disclosure, as the  
17 Secretary shall require, that specifies  
18 the effective cost to a mortgagor of  
19 borrowing the amount by which the  
20 maximum amount that could be bor-  
21 rowed under a mortgage that is re-  
22 ferred to in subsection (c)(3) exceeds  
23 the maximum amount that could be  
24 borrowed under a mortgage insured  
25 under this subsection that is not a

1 mortgage referred to in such sub-  
2 section, based on average closing costs  
3 with respect to such amount, as deter-  
4 mined by the Secretary; such cost  
5 shall be expressed as an annual inter-  
6 est rate over the first 5 years of a  
7 mortgage; the disclosure required  
8 under this subclause may be provided  
9 in conjunction with the notice re-  
10 quired under subsection (f).

11 “(iv) 2- AND 3-FAMILY RESI-  
12 DENCES.—In the case of a mortgage in-  
13 volving a 2- or 3-family residence, coun-  
14 seling under this subparagraph shall in-  
15 clude (in addition to the information re-  
16 quired under clause (iii)) information re-  
17 garding real estate property management.

18 “(C) OPTION FOR NOTICE OF FORE-  
19 CLOSURE PREVENTION COUNSELING AVAIL-  
20 ABILITY.—

21 “(i) OPTION.—To be eligible for in-  
22 surance under this subsection, the mort-  
23 gagee shall provide mortgagor, at the time  
24 of the execution of the mortgage, an op-  
25 tional written agreement which, if signed

1 by the mortgagor, allows, but does not re-  
2 quire, the mortgagee to provide notice de-  
3 scribed in clause (ii) to a housing coun-  
4 seling entity that has agreed to provide the  
5 notice and counseling required under  
6 clause (iii) and is approved by the Sec-  
7 retary.

8 “(ii) NOTICE TO COUNSELING AGEN-  
9 CY.—The notice described in this clause,  
10 with respect to a mortgage, is notice, pro-  
11 vided at the earliest time practicable after  
12 the mortgagor becomes 60 days delinquent  
13 with respect to any payment due under the  
14 mortgage, that the mortgagor is so delin-  
15 quent and of how to contact the mort-  
16 gagor. Such notice may only be provided  
17 once with respect to each delinquency pe-  
18 riod for a mortgage.

19 “(iii) NOTICE TO MORTGAGOR.—Upon  
20 notice from a mortgagee that a mortgagor  
21 is 60 days delinquent with respect to pay-  
22 ments due under the mortgage, the hous-  
23 ing counseling entity shall at the earliest  
24 time practicable notify the mortgagor of  
25 such delinquency, that the entity makes

1 available foreclosure prevention counseling  
2 that may assist the mortgagor in resolving  
3 the delinquency, and of how to contact the  
4 entity to arrange for such counseling.

5 “(iv) ABILITY TO CURE.—Failure to  
6 provide the optional written agreement re-  
7 quired under clause (i) may be corrected  
8 by sending such agreement to the mort-  
9 gagor not later than the earliest time prac-  
10 ticable after the mortgagor first becomes  
11 60 days delinquent with respect to pay-  
12 ments due under the mortgage. Insurance  
13 provided under this subsection may not be  
14 terminated and penalties for such failure  
15 may not be prospectively or retroactively  
16 imposed if such failure is corrected in ac-  
17 cordance with this clause.

18 “(v) PENALTIES FOR FAILURE TO  
19 PROVIDE AGREEMENT.—The Secretary  
20 may establish and impose appropriate pen-  
21 alties for failure of a mortgagee to provide  
22 the optional written agreement required  
23 under clause (i).

24 “(vi) LIMITATION ON LIABILITY OF  
25 MORTGAGEE.—A mortgagee shall not incur

1 any liability or penalties for any failure of  
2 a housing counseling entity to provide no-  
3 tice under clause (iii).

4 “(vii) NO PRIVATE RIGHT OF AC-  
5 TION.—This subparagraph shall not create  
6 any private right of action on behalf of the  
7 mortgagor.

8 “(viii) DELINQUENCY PERIOD.—For  
9 purposes of this subparagraph, the term  
10 ‘delinquency period’ means, with respect to  
11 a mortgage, a period that begins upon the  
12 mortgagor becoming delinquent with re-  
13 spect to payments due under the mortgage  
14 and ends upon the first subsequent occur-  
15 rence of such payments under the mort-  
16 gage becoming current or the property  
17 subject to the mortgage being foreclosed or  
18 otherwise disposed of.”.

19 **SEC. 11. ANNUAL REPORTS ON NEW PROGRAMS AND LOSS**  
20 **MITIGATION.**

21 Section 540(b)(2) of the National Housing Act (12  
22 U.S.C. 1735f–18(b)(2)) is amended, by adding at the end  
23 the following new subparagraphs:

24 “(C) The rates of default and foreclosure  
25 for the applicable collection period for mort-

1 gages insured pursuant to the programs for  
2 mortgage insurance under paragraphs (2)(C)  
3 and (3) of section 203(e).

4 “(D) Actions taken by the Secretary dur-  
5 ing the applicable collection period with respect  
6 to loss mitigation on mortgages insured pursu-  
7 ant to section 203.”.

8 **SEC. 12. REHABILITATION LOANS.**

9 Subsection (k) of section 203 of the National Hous-  
10 ing Act (12 U.S.C. 1709(k)) is amended—

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

13 (2) in paragraph (5)—

14 (A) by striking “General Insurance Fund”  
15 the first place it appears and inserting “Mutual  
16 Mortgage Insurance Fund”; and

17 (B) in the second sentence, by striking the  
18 comma and all that follows through “General  
19 Insurance Fund”.

20 **SEC. 13. DISCRETIONARY ACTION.**

21 The National Housing Act is amended—

22 (1) in subsection (e) of section 202 (12 U.S.C.  
23 1708(e))—

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

4 (B) by redesignating such subsection as  
5 subsection (f);

6 (2) by striking paragraph (4) of section 203(s)  
7 (12 U.S.C. 1709(s)(4)) and inserting the following  
8 new paragraph:

9 “(4) the Secretary of Agriculture;” and

10 (3) by transferring subsection (s) of section 203  
11 (as amended by paragraph (2) of this section) to  
12 section 202, inserting such subsection after sub-  
13 section (d) of section 202, and redesignating such  
14 subsection as subsection (e).

15 **SEC. 14. INSURANCE OF CONDOMINIUMS.**

16 (a) IN GENERAL.—Section 234 of the National  
17 Housing Act (12 U.S.C. 1715y) is amended—

18 (1) in subsection (c)—

19 (A) in the first sentence—

20 (i) by striking “and” before “(2)”;

21 and

22 (ii) by inserting before the period at  
23 the end the following: “, and (3) the  
24 project has a blanket mortgage insured by  
25 the Secretary under subsection (d)”;

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

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

6 (b) DEFINITION OF MORTGAGE.—Section 201(a) of  
7 the National Housing Act (12 U.S.C. 1707(a)) is amend-  
8 ed—

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

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

19 **SEC. 15. MUTUAL MORTGAGE INSURANCE FUND.**

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

23 “(a) MUTUAL MORTGAGE INSURANCE FUND.—

24 “(1) ESTABLISHMENT.—Subject to the provi-  
25 sions of the Federal Credit Reform Act of 1990,

1 there is hereby created a Mutual Mortgage Insur-  
2 ance Fund (in this title referred to as the ‘Fund’),  
3 which shall be used by the Secretary to carry out the  
4 provisions of this title with respect to mortgages in-  
5 sured under section 203. The Secretary may enter  
6 into commitments to guarantee, and may guarantee,  
7 such insured mortgages.

8 “(2) LIMIT ON LOAN GUARANTEES.—The au-  
9 thority of the Secretary to enter into commitments  
10 to guarantee such insured mortgages shall be effec-  
11 tive for any fiscal year only to the extent that the  
12 aggregate original principal loan amount under such  
13 mortgages, any part of which is guaranteed, does  
14 not exceed the amount specified in appropriations  
15 Acts for such fiscal year.

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

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

1 Fund. The report shall recommend adjustments to  
2 underwriting standards, program participation, or  
3 premiums, if necessary, to ensure that the Fund re-  
4 mains financially sound.

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

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

13 “(B) the types of loans insured, cat-  
14 egorized by risk;

15 “(C) any significant changes between ac-  
16 tual and projected claim and prepayment activ-  
17 ity;

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

20 “(E) updated projections of the annual  
21 subsidy rates to ensure that increases in risk to  
22 the Fund are identified and mitigated by ad-  
23 justments to underwriting standards, program  
24 participation, 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  
3 fiscal year 2008, or upon the expiration of the 90-  
4 day period beginning on the date of the enactment  
5 of the Expanding American Homeownership Act of  
6 2007, whichever is later.

7 “(6) ADJUSTMENT OF PREMIUMS.—If, pursu-  
8 ant to the independent actuarial study of the Fund  
9 required under paragraph (5), the Secretary deter-  
10 mines that the Fund is not meeting the operational  
11 goals established under paragraph (8) or there is a  
12 substantial probability that the Fund will not main-  
13 tain its established target subsidy rate, the Secretary  
14 may either make programmatic adjustments under  
15 section 203 as necessary to reduce the risk to the  
16 Fund, or 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 insur-  
5           ance program under this title is designed to  
6           serve.”.

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

9           (1) HOMEOWNERSHIP VOUCHER PROGRAM  
10          MORTGAGES.—In section 203(v) (12 U.S.C.  
11          1709(v))—

12                   (A) by striking “Notwithstanding section  
13                   202 of this title, the” and inserting “The”; and

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

18           (2) HOME EQUITY CONVERSION MORTGAGES.—  
19          Section 255(i)(2)(A) of the National Housing Act  
20          (12 U.S.C. 1715z–20(i)(2)(A)) is amended by strik-  
21          ing “General Insurance Fund” and inserting “Mu-  
22          tual Mortgage Insurance Fund”.

23           (c) CONFIRMING AMENDMENTS.—The National  
24          Housing Act is amended—

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

3           (2) in section 519(e) (12 U.S.C. 1735e(e)), by  
4 striking “203(b)” and all that follows through  
5 “203(i)” and inserting “203, except as determined  
6 by the Secretary”.

7 **SEC. 16. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**  
8 **TIONS.**

9           (a) HAWAIIAN HOME LANDS.—Section 247(c) of the  
10 National Housing Act (12 U.S.C. 1715z–12) is amend-  
11 ed—

12           (1) by striking “General Insurance Fund estab-  
13 lished in section 519” and inserting “Mutual Mort-  
14 gage Insurance Fund”; and

15           (2) in the second sentence, by striking “(1) all  
16 references” and all that follows through “and (2)”.

17           (b) INDIAN RESERVATIONS.—Section 248(f) of the  
18 National Housing Act (12 U.S.C. 1715z–13) is amend-  
19 ed—

20           (1) by striking “General Insurance Fund” the  
21 first place it appears through “519” and inserting  
22 “Mutual Mortgage Insurance Fund”; and

23           (2) in the second sentence, by striking “(1) all  
24 references” and all that follows through “and (2)”.

1 **SEC. 17. CONFORMING AND TECHNICAL AMENDMENTS.**

2 (a) REPEALS.—The following provisions of the Na-  
3 tional Housing Act are repealed:

4 (1) Subsection (i) of section 203 (12 U.S.C.  
5 1709(i)).

6 (2) Subsection (o) of section 203 (12 U.S.C.  
7 1709(o)).

8 (3) Subsection (p) of section 203 (12 U.S.C.  
9 1709(p)).

10 (4) Subsection (q) of section 203 (12 U.S.C.  
11 1709(q)).

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

13 (6) Section 237 (12 U.S.C. 1715z–2).

14 (7) Section 245 (12 U.S.C. 1715z–10).

15 (b) DEFINITION OF AREA.—Section 203(u)(2)(A) of  
16 the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is  
17 amended by striking “shall” and all that follows and in-  
18 serting “means a metropolitan statistical area as estab-  
19 lished by the Office of Management and Budget;”.

20 (c) DEFINITION OF STATE.—Section 201(d) of the  
21 National Housing Act (12 U.S.C. 1707(d)) is amended by  
22 striking “the Trust Territory of the Pacific Islands” and  
23 inserting “the Commonwealth of the Northern Mariana  
24 Islands”.

1 **SEC. 18. HOME EQUITY CONVERSION MORTGAGES.**

2 (a) IN GENERAL.—Section 255 of the National  
3 Housing Act (12 U.S.C. 1715z–20) is amended—

4 (1) in subsection (g)—

5 (A) by striking the first sentence; and

6 (B) by striking “established under section  
7 203(b)(2)” and all that follows through “lo-  
8 cated” and inserting “limitation established  
9 under section 305(a)(2) of the Federal Home  
10 Loan Mortgage Corporation Act for a 1-family  
11 residence”;

12 (2) in subsection (i)(1)(C), by striking “limita-  
13 tions” and inserting “limitation”; and

14 (3) by adding at the end the following new sub-  
15 section:

16 “(n) **AUTHORITY TO INSURE HOME PURCHASE**  
17 **MORTGAGE.**—

18 “(1) IN GENERAL.—Notwithstanding any other  
19 provision in this section, the Secretary may insure,  
20 upon application by a mortgagee, a home equity con-  
21 version mortgage upon such terms and conditions as  
22 the Secretary may prescribe, when the primary pur-  
23 pose of the home equity conversion mortgage is to  
24 enable an elderly mortgagor to purchase a 1- to 4-  
25 family dwelling in which the mortgagor will occupy  
26 or occupies one of the units.

1           “(2) LIMITATION ON PRINCIPAL OBLIGATION.—  
2           A home equity conversion mortgage insured pursu-  
3           ant to paragraph (1) shall involve a principal obliga-  
4           tion that does not exceed the dollar amount limita-  
5           tion determined under section 305(a)(2) of the Fed-  
6           eral Home Loan Mortgage Corporation Act for a  
7           residence of the applicable size.”.

8           (b) MORTGAGES FOR COOPERATIVES.—Subsection  
9           (b) of section 255 of the National Housing Act (12 U.S.C.  
10          1715z–20(b)) is amended—

11           (1) in paragraph (4)—

12           (A) by inserting “a first or subordinate  
13           mortgage or lien” before “on all stock”;

14           (B) by inserting “unit” after “dwelling”;  
15           and

16           (C) by inserting “a first mortgage or first  
17           lien” before “on a leasehold”; and

18           (2) in paragraph (5), by inserting “a first or  
19           subordinate lien on” before “all stock”.

20           (c) STUDY REGARDING MORTGAGE INSURANCE PRE-  
21          MIUMS.—The Secretary of Housing and Urban Develop-  
22          ment shall conduct a study regarding mortgage insurance  
23          premiums charged under the program under section 255  
24          of the National Housing Act (12 U.S.C. 1715z–20) for

1 insurance of home equity conversion mortgages to analyze  
2 and determine—

3 (1) the effects of reducing the amounts of such  
4 premiums from the amounts charged as of the date  
5 of the enactment of this Act on—

6 (A) costs to mortgagors; and

7 (B) the financial soundness of the pro-  
8 gram; and

9 (2) the feasibility and effectiveness of exempt-  
10 ing, from all the requirements under the program re-  
11 garding payment of mortgage insurance premiums  
12 (including both up-front or annual mortgage insur-  
13 ance premiums under section 203(c)(2) of such Act),  
14 any mortgage insured under the program under  
15 which part or all of the amount of future payments  
16 made to the homeowner are used for costs of a long-  
17 term care insurance contract covering the mortgagor  
18 or members of the household residing in the mort-  
19 gaged property.

20 Not later than the expiration of the 12-month period be-  
21 ginning on the date of the enactment of this Act, the Sec-  
22 retary shall submit a report to the Congress setting forth  
23 the results and conclusions of the study.

1 **SEC. 19. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

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

4 (1) by inserting after “property” the following:  
5 “plus any initial service charges, appraisal, inspec-  
6 tion and other fees in connection with the mortgage  
7 as approved by the Secretary,”;

8 (2) by striking the second sentence (as added  
9 by chapter 7 of the Emergency Supplemental Appro-  
10 priations Act of 1994 (Public Law 103–211; 108  
11 Stat. 12)); and

12 (3) by adding at the end the following new sen-  
13 tence: “In any case in which the single family resi-  
14 dence to be insured under this subsection is within  
15 a jurisdiction in which the President has declared a  
16 major disaster to have occurred, the Secretary is au-  
17 thorized, for a temporary period not to exceed 36  
18 months from the date of such Presidential declara-  
19 tion, to enter into agreements to insure a mortgage  
20 which involves a principal obligation of up to 100  
21 percent of the dollar limitation determined under  
22 section 305(a)(2) of the Federal Home Loan Mort-  
23 gage Corporation Act for a single family residence,  
24 and not in excess of 100 percent of the appraised  
25 value of the property plus any initial service charges,

1 appraisal, inspection and other fees in connection  
2 with the mortgage as approved by the Secretary.”.

3 **SEC. 20. SENSE OF CONGRESS REGARDING TECHNOLOGY**  
4 **FOR FINANCIAL SYSTEMS.**

5 (a) CONGRESSIONAL FINDINGS.—The Congress finds  
6 the following:

7 (1) The Government Accountability Office has  
8 cited the FHA single family housing mortgage insur-  
9 ance program as a “high-risk” program, with a pri-  
10 mary reason being non-integrated and out-dated fi-  
11 nancial management systems.

12 (2) The “Audit of the Federal Housing Admin-  
13 istration’s Financial Statements for Fiscal Years  
14 2004 and 2003”, conducted by the Inspector Gen-  
15 eral of the Department of Housing and Urban De-  
16 velopment reported as a material weakness that  
17 “HUD/FHA’s automated data processing [ADP]  
18 system environment must be enhanced to more effec-  
19 tively support FHA’s business and budget proc-  
20 esses”.

21 (3) Existing technology systems for the FHA  
22 program have not been updated to meet the latest  
23 standards of the Mortgage Industry Standards  
24 Maintenance Organization and have numerous defi-  
25 ciencies that lenders have outlined.

1           (4) Improvements to technology used in the  
2           FHA program will—

3                   (A) allow the FHA program to improve the  
4                   management of the FHA portfolio, garner  
5                   greater efficiencies in its operations, and lower  
6                   costs across the program;

7                   (B) result in efficiencies and lower costs  
8                   for lenders participating in the program, allow-  
9                   ing them to better use the FHA products in ex-  
10                  tending homeownership opportunities to higher  
11                  credit risk or lower-income families, in a sound  
12                  manner.

13           (5) The Mutual Mortgage Insurance Fund op-  
14           erates without cost to the taxpayers and generates  
15           revenues for the Federal Government.

16           (b) SENSE OF CONGRESS.—It is the sense of the  
17           Congress that—

18                   (1) the Secretary of Housing and Urban Devel-  
19                   opment should use a portion of the funds received  
20                   from premiums paid for FHA single family housing  
21                   mortgage insurance that are in excess of the  
22                   amounts paid out in claims to substantially increase  
23                   the funding for technology used in such FHA pro-  
24                   gram;

1           (2) the goal of this investment should be to  
2 bring the technology used in such FHA program to  
3 the level and sophistication of the technology used in  
4 the conventional mortgage lending market, or to ex-  
5 ceed such level; and

6           (3) the Secretary of Housing and Urban Devel-  
7 opment should report to the Congress not later than  
8 180 days after the date of the enactment of this Act  
9 regarding the progress the Department is making  
10 toward such goal and if progress is not sufficient,  
11 the resources needed to make greater progress.

12 **SEC. 21. MULTIFAMILY HOUSING MORTGAGE LIMITS IN**  
13 **HIGH COST AREAS.**

14 The National Housing Act is amended—

15           (1) in sections 207(c)(3), 213(b)(2)(B)(i),  
16 221(d)(3)(ii)(II), 221(d)(4)(ii)(II), 231(c)(2)(B),  
17 and 234(e)(3)(B) (12 U.S.C. 1713(c)(3),  
18 1715e(b)(2)(B)(i), 1715l(d)(3)(ii)(II),  
19 1715l(d)(4)(ii)(II), 1715v(c)(2)(B), and  
20 1715y(e)(3)(B))—

21           (A) by striking “140 percent” each place  
22 such term appears and inserting “170 percent”;  
23 and

1 (B) by striking “170 percent in high cost  
2 areas” each time place such term appears and  
3 inserting “215 percent in high cost areas”; and  
4 (2) in section 220(d)(3)(B)(iii)(III) (12 U.S.C.  
5 1715k(d)(3)(B)(iii)(III)) by striking “206A” and all  
6 that follows through “project-by-project basis” and  
7 inserting the following: “206A of this Act) by not to  
8 exceed 170 percent in any geographical area where  
9 the Secretary finds that cost levels so require and by  
10 not to exceed 170 percent, or 215 percent in high  
11 cost areas, where the Secretary determines it nec-  
12 essary on a project-by-project basis”.

13 **SEC. 22. VALUATION OF MULTIFAMILY PROPERTIES IN**  
14 **NONCOMPETITIVE SALES BY HUD TO STATES**  
15 **AND LOCALITIES.**

16 Subtitle A of title II of the Deficit Reduction Act of  
17 2005 (Public Law 109–171; 120 Stat. 7) is amended by  
18 adding at the end the following new subsection:

19 **“SEC. 2004. VALUATION OF MULTIFAMILY PROPERTIES IN**  
20 **NONCOMPETITIVE SALES BY HUD TO STATES**  
21 **AND LOCALITIES.**

22 “Notwithstanding any other provision of law and with  
23 respect to any fiscal year, in determining the market value  
24 of any multifamily real property or multifamily loan for  
25 any noncompetitive sale to a State or local government

1 entity, the Secretary shall consider, but not be limited to,  
2 industry standard appraisal practices, including the cost  
3 of repairs needed to bring the property at least to min-  
4 imum State and local code standards and of maintaining  
5 the existing affordability restrictions imposed by the Sec-  
6 retary on the multifamily real property or multifamily  
7 loan.”.

8 **SEC. 23. USE OF FHA SAVINGS FOR AFFORDABLE HOUSING**  
9 **GRANT FUND.**

10 There are authorized to be appropriated for each fis-  
11 cal year, to an affordable housing fund available for use  
12 only for grants to provide affordable rental housing and  
13 affordable homeownership opportunities for low-income  
14 families, an amount equal to the net increase for such fis-  
15 cal year in negative credit subsidy for the mortgage insur-  
16 ance programs under title II of the National Housing Act  
17 resulting from this Act and the amendments made by this  
18 Act.

19 **SEC. 24. SAVINGS PROVISION.**

20 Any mortgage insured under title II of the National  
21 Housing Act before the date of enactment of this title shall  
22 continue to be governed by the laws, regulations, orders,  
23 and terms and conditions to which it was subject on the  
24 day before the date of the enactment of this Act.

1 **SEC. 25. IMPLEMENTATION.**

2       The Secretary of Housing and Urban Development  
3 shall by notice establish any additional requirements that  
4 may be necessary to immediately carry out the provisions  
5 of this Act. The notice shall take effect upon issuance.

○