

110TH CONGRESS
1ST SESSION

H. R. 3012

To amend the Truth in Lending Act to provide for the establishment of fair mortgage practices, generally, and for subprime mortgages in particular, to provide for a national system for licensing or registering residential mortgage loan originators, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2007

Mr. BACHUS (for himself, Mr. GILLMOR, Ms. PRYCE of Ohio, Mr. GARY G. MILLER of California, and Mr. LATOURETTE) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Truth in Lending Act to provide for the establishment of fair mortgage practices, generally, and for subprime mortgages in particular, to provide for a national system for licensing or registering residential mortgage loan originators, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Fair Mortgage Practices Act of 2007”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
 Sec. 2. Definition.

TITLE I—LICENSING SYSTEM OF RESIDENTIAL MORTGAGE LOAN
 ORIGINATORS

- Sec. 101. Purposes and methods for establishing a mortgage licensing system.
 Sec. 102. Definitions.
 Sec. 103. License or registration required.
 Sec. 104. License and registration application and issuance.
 Sec. 105. Standards for license renewal.
 Sec. 106. System of registration administration by Federal banking agencies.
 Sec. 107. Secretary of housing and urban development backup authority to es-
 tablish a loan originator licensing system.
 Sec. 108. System for State-licensed loan originators.
 Sec. 109. Fees.
 Sec. 110. Mortgage professional background checks.
 Sec. 111. Confidentiality of information.
 Sec. 112. Liability provisions.

TITLE II—SIMPLIFIED DISCLOSURES

- Sec. 201. Basic mortgage facts.

TITLE III—HOUSING COUNSELING

Subtitle A—Consumer Counseling

- Sec. 301. Consumer counseling requirements.

Subtitle B—Expanded Housing Counseling Opportunities

- Sec. 311. Short title.
 Sec. 312. Establishment of Office of Housing Counseling.
 Sec. 313. Counseling procedures.
 Sec. 314. Grants for housing counseling assistance.
 Sec. 315. Requirements to use HUD-certified counselors under HUD programs.
 Sec. 316. Study of defaults and foreclosures.
 Sec. 317. Definitions for counseling-related programs.
 Sec. 318. Updating and simplification of mortgage information booklet.

TITLE IV—PROHIBITION ON ABUSIVE PRACTICES

Subtitle A—Mortgage Servicing

- Sec. 401. Escrow and impound accounts relating to certain consumer credit
 transactions.
 Sec. 402. Disclosure notice required for consumers who opt out of escrow serv-
 ices.

Subtitle B—Nontraditional Mortgage Provisions

- Sec. 411. Prepayment penalties.
 Sec. 412. Ability to repay.

TITLE V—MORTGAGE FRAUD

Sec. 501. Authorization of appropriations for mortgage fraud prevention, investigation, and prosecution.

TITLE VI—APPRAISAL ACTIVITIES

Sec. 601. Property appraisal requirements.

Sec. 602. Amendments relating to appraisal subcommittee of FIEC, appraiser independence, and approved appraiser education.

Sec. 603. Study required on improvements in appraisal process and compliance programs.

TITLE VII—INCENTIVES FOR BEST PRACTICES

Sec. 701. CRA credit for certain lender practices.

1 **SEC. 2. DEFINITION.**

2 (a) **DEFINITION OF SUBPRIME MORTGAGE.**—Section
 3 103 of the Truth in Lending Act (15 U.S.C. 1602) is
 4 amended by adding at the end the following new sub-
 5 section:

6 “(cc) **SUBPRIME MORTGAGE.**—The term ‘subprime
 7 mortgage’ means any consumer credit transaction secured
 8 by the principal dwelling of the consumer that bears or
 9 otherwise meets the terms and characteristics for such a
 10 transaction that the Board has defined as a subprime
 11 mortgage.”.

12 (b) **REGULATIONS.**—The Board shall prescribe regu-
 13 lations defining a subprime mortgage for purposes of the
 14 amendment made by subsection (a) before the end of the
 15 90-day period beginning on the date of the enactment of
 16 this Act.

1 **TITLE I—LICENSING SYSTEM OF**
2 **RESIDENTIAL MORTGAGE**
3 **LOAN ORIGINATORS**

4 **SEC. 101. PURPOSES AND METHODS FOR ESTABLISHING A**
5 **MORTGAGE LICENSING SYSTEM.**

6 In order to increase uniformity, reduce regulatory
7 burden, enhance consumer protection, and reduce fraud,
8 the States, through the Conference of State Bank Super-
9 visors and the American Association of Residential Mort-
10 gage Regulators, are hereby encouraged to establish a Na-
11 tionwide Mortgage Licensing System and registry for the
12 residential mortgage industry that accomplishes all of the
13 following objectives:

14 (1) Provides uniform mortgage applications and
15 reporting requirements for State-licensed loan origi-
16 nators.

17 (2) Provides a comprehensive licensing and su-
18 pervisory database.

19 (3) Aggregates and improves the flow of infor-
20 mation to and between regulators.

21 (4) Provides increased licensee accountability
22 and tracking.

23 (5) Streamlines the licensing process and re-
24 duces the regulatory burden.

1 (6) Enhances consumer protections and sup-
2 ports anti-fraud measures.

3 **SEC. 102. DEFINITIONS.**

4 For purposes of this title, the following definitions
5 shall apply:

6 (1) FEDERAL BANKING AGENCIES.—The term
7 “Federal banking agencies” means the Board of
8 Governors of the Federal Reserve System, the
9 Comptroller of the Currency, the Director of the Of-
10 fice of Thrift Supervision, the National Credit Union
11 Administration, and the Federal Deposit Insurance
12 Corporation.

13 (2) LOAN ORIGINATOR.—

14 (A) IN GENERAL.—The term “loan origi-
15 nator”—

16 (i) means an individual who—

17 (I) takes a residential mortgage
18 loan application;

19 (II) assists a consumer in obtain-
20 ing or applying to obtain a residential
21 mortgage loan; or

22 (III) offers or negotiates terms of
23 a mortgage loan, for direct or indirect
24 compensation or gain, or in the expect-

1 tation of direct or indirect compensa-
2 tion or gain;

3 (ii) includes any individual who rep-
4 resents to the public, through advertising
5 or other means of communicating or pro-
6 viding information (including the use of
7 business cards, stationery, brochures,
8 signs, rate lists, or other promotional
9 items), that such individual can or will pro-
10 vide or perform any of the activities de-
11 scribed in clause (i); and

12 (iii) does not include any individual
13 who performs purely administrative or cler-
14 ical tasks and is not otherwise described in
15 this subparagraph.

16 (B) OTHER DEFINITIONS RELATING TO
17 LOAN ORIGINATOR.—For purposes of this para-
18 graph, a person “assists a consumer in obtain-
19 ing or applying to obtain a residential mortgage
20 loan” by, among other things, counseling on
21 loan terms (rates, fees, other costs), preparing
22 loan packages, or collecting enough information
23 on behalf of the consumer to anticipate a credit
24 decision.

1 (3) ADMINISTRATIVE OR CLERICAL TASKS.—

2 The term “administrative or clerical tasks” means
3 the receipt, collection, and distribution of informa-
4 tion common for the processing or underwriting of
5 a loan in the mortgage industry and communication
6 with a consumer to obtain information necessary for
7 the processing or underwriting of a loan.

8 (4) LOAN PROCESSOR OR UNDERWRITER.—

9 (A) IN GENERAL.—The term “loan proc-
10 essor or underwriter” means an individual who
11 performs clerical or support duties at the direc-
12 tion of and subject to the supervision and in-
13 struction of a licensed mortgage broker, lender,
14 insured depository institution, or wholly-owned
15 subsidiary of an insured depository institution.

16 (B) CLERICAL OR SUPPORT DUTIES.—For
17 purposes of subparagraph (A), the term “cler-
18 ical or support duties” may include—

19 (i) the receipt, collection, distribution,
20 and analysis of information common for
21 the processing or underwriting of a loan;
22 and

23 (ii) communicating with a borrower to
24 obtain the information necessary for the
25 processing or underwriting of a loan, to the

1 extent that such communication does not
2 include offering or negotiating loan rates
3 or terms, or counseling borrowers about
4 loan rates or terms.

5 (5) MORTGAGE BROKER OR MORTGAGE LEND-
6 ER.—The term “mortgage broker or mortgage lend-
7 er” means any person who for compensation or gain,
8 or in the expectation of compensation or gain—

9 (A) makes a residential mortgage loan or
10 assists a person in obtaining or applying to ob-
11 tain a residential mortgage loan; or

12 (B) represents to the public, through ad-
13 vertising or other means of communicating or
14 providing information (including the use of
15 business cards, stationery, brochures, signs,
16 rate lists, or other promotional items), that
17 such individual can or will make a residential
18 mortgage loan or assist a consumer in obtaining
19 or applying to obtain a residential mortgage
20 loan.

21 (6) NATIONWIDE MORTGAGE LICENSING SYS-
22 TEM.—The term “Nationwide Mortgage Licensing
23 System” means a mortgage licensing system devel-
24 oped and maintained by the Conference of State
25 Bank Supervisors and the American Association of

1 Residential Mortgage Regulators for the State li-
2 censing of State-licensed loan originators.

3 (7) REGISTERED LOAN ORIGINATOR.—The term
4 “registered loan originator” means any individual
5 who—

6 (A) meets the definition of loan originator
7 and is an employee of an insured depository in-
8 stitution or a wholly-owned operating subsidiary
9 of an insured depository institution; and

10 (B) is registered and maintains a unique
11 identifier through the Nationwide Mortgage Li-
12 censing System or system.

13 (8) RESIDENTIAL MORTGAGE LOAN.—The term
14 “residential mortgage loan” means any loan pri-
15 marily for personal, family, or household use that is
16 secured by a mortgage or deed of trust on residen-
17 tial real estate upon which is constructed or in-
18 tended to be constructed a single family dwelling of
19 4 or fewer units.

20 (9) RESIDENTIAL REAL ESTATE.—The term
21 “residential real estate” means real property upon
22 which is constructed or intended to be constructed,
23 a 1- to 4-family residence, except that such term
24 does not include any dwelling on leased or rented

1 land or space unless the mortgage broker treats such
2 property as residential real estate.

3 (10) STATE-LICENSED LOAN ORIGINATOR.—

4 The term “State-licensed loan originator” means
5 any individual who—

6 (A) is a loan originator;

7 (B) is not an employee of an insured de-
8 pository institution or any wholly-owned oper-
9 ating subsidiary of an insured depository insti-
10 tution; and

11 (C) is licensed as a loan originator through
12 the Nationwide Mortgage Licensing System.

13 (11) UNIQUE IDENTIFIER.—The term “unique
14 identifier” means a number established as perma-
15 nent identification of a loan originator.

16 **SEC. 103. LICENSE OR REGISTRATION REQUIRED.**

17 (a) IN GENERAL.—A person may not engage in the
18 business of a loan originator without first obtaining and
19 maintaining a registration as a registered loan originator
20 or a license as a State-licensed loan originator.

21 (b) LOAN PROCESSORS AND UNDERWRITERS.—

22 (1) SUPERVISED LOAN PROCESSORS AND UN-
23 DERWRITERS.—A loan processor or underwriter who
24 does not represent to the public, through advertising
25 or other means of communicating or providing infor-

1 mation (including the use of business cards, sta-
2 tionery, brochures, signs, rate lists, or other pro-
3 motional items), that such individual can or will pro-
4 vide or perform any of the activities of a mortgage
5 broker, mortgage provider, or loan originator shall
6 not be required to have a loan originator license.

7 (2) INDEPENDENTS.—A loan processor or un-
8 derwriter may not work as an independent con-
9 tractor unless licensed or registered as a mortgage
10 broker.

11 **SEC. 104. LICENSE AND REGISTRATION APPLICATION AND**
12 **ISSUANCE.**

13 (a) BACKGROUND CHECKS.—As a part of or in con-
14 nection with an application for any loan originator license
15 or registration, the applicant shall, at a minimum, furnish
16 to the Nationwide Mortgage Licensing System or appro-
17 priate regulatory agency, information concerning the ap-
18 plicant's identity, including—

19 (1) fingerprints for submission to the Federal
20 Bureau of Investigation, and any governmental
21 agency or entity authorized to receive such informa-
22 tion for a State and national criminal history back-
23 ground check; and

1 (2) personal history and experience, including
2 authorization for the System or regulator agency to
3 obtain—

4 (A) an independent credit report obtained
5 from a consumer reporting agency described in
6 section 603(p) of the Fair Credit Reporting
7 Act; and

8 (B) information related to any administra-
9 tive, civil or criminal findings by any govern-
10 mental jurisdiction.

11 (b) ISSUANCE OF LICENSE.—The minimum stand-
12 ards for license issuance shall include the following:

13 (1) The applicant has not had a loan originator
14 or similar license revoked in any governmental juris-
15 diction during the 5-year period immediately pre-
16 ceding the filing of the present application.

17 (2) The applicant has not been convicted, pled
18 guilty or nolo contendere in a domestic, foreign, or
19 military court of a felony during the 7-year period
20 immediately preceding the filing of the present appli-
21 cation.

22 (3) The applicant has demonstrated financial
23 responsibility, character, and general fitness such as
24 to command the confidence of the community and to
25 warrant a determination that the loan originator will

1 operate honestly, fairly, and efficiently within the
2 purposes of this title.

3 (4) The applicant has completed pre-licensing
4 education.

5 (5) The applicant has passed a written test.

6 (c) PRE-LICENSING EDUCATION OF LOAN ORIGINA-
7 TORS.—

8 (1) IN GENERAL.—Before applying for a li-
9 cense, every loan originator shall complete an edu-
10 cation requirement.

11 (2) APPROVED EDUCATIONAL COURSES.—Satis-
12 factory pre-licensing education courses shall be re-
13 viewed, approved and published by the Nationwide
14 Mortgage Licensing System or the Secretary of
15 Housing and Urban Development in consultation
16 with the Nationwide Mortgage Licensing System.

17 (3) MINIMUM EDUCATIONAL REQUIREMENTS.—
18 The pre-licensing education requirement shall be at
19 least 20 hours of approved education, which shall in-
20 clude at least 3 hours of Federal law and regulations
21 and 3 hours of ethics.

22 (d) TESTING OF LOAN ORIGINATORS.—

23 (1) IN GENERAL.—No individual may be li-
24 censed as a loan originator unless the individual has
25 passed a qualified written test developed and admin-

1 istered by the Nationwide Mortgage Licensing Sys-
2 tem or the Secretary of Housing and Urban Devel-
3 opment in consultation with the Nationwide Mort-
4 gage Licensing System.

5 (2) QUALIFIED TEST.—A written test shall not
6 be treated as a qualified written test for purposes of
7 paragraph (1) unless—

8 (A) the test consists of a minimum of 100
9 questions; and

10 (B) the test adequately measures the appli-
11 cant’s knowledge and comprehension in appro-
12 priate subject areas, including—

13 (i) ethics;

14 (ii) Federal law and regulation per-
15 taining to mortgage origination; and

16 (iii) State law and regulation per-
17 taining to mortgage origination.

18 (3) MINIMUM COMPETENCE.—

19 (A) PASSING SCORE.—A passing test score
20 of 75 percent correct answers to questions shall
21 be required before accepting and processing a
22 license application.

23 (B) INITIAL RETESTS.—A loan originator
24 may retake a test 3 consecutive times with each

1 consecutive taking occurring in less than 14
2 days after the preceding test.

3 (C) SUBSEQUENT RETESTS.—After 3 con-
4 secutive tests, a loan originator shall wait at
5 least 14 days before taking the test again.

6 (D) RETEST AFTER LAPSE OF LICENSE.—
7 A loan originator who fails to maintain a valid
8 license for a period of 5 years or longer shall
9 retake the test.

10 **SEC. 105. STANDARDS FOR LICENSE RENEWAL.**

11 (a) IN GENERAL.—The minimum standards for li-
12 cense renewal shall include the following:

13 (1) The loan originator continues to meet the
14 minimum standards for license issuance.

15 (2) The loan originator has satisfied the annual
16 continuing education requirements set forth below.

17 (b) CONTINUING EDUCATION FOR STATE-LICENSED
18 LOAN ORIGINATORS.—

19 (1) IN GENERAL.—Every loan originator shall
20 complete an annual continuing education require-
21 ment in order to renew their loan originator license
22 or registration each year. Satisfactory continuing
23 education courses shall be reviewed, approved and
24 published by the Nationwide Mortgage Licensing
25 System or the Secretary of Housing and Urban De-

1 (b) UNIQUE IDENTIFIER.—The Federal banking
2 agencies, through the Financial Institutions Examination
3 Council, shall coordinate with the Nationwide Mortgage
4 Licensing System to establish a unique identifier for all
5 Loan Originators.

6 (c) LINKAGE WITH STATE-LICENCED LOAN ORIGI-
7 NATORS.—To facilitate tracking and identification of, and
8 public access to publicly-adjudicated disciplinary and en-
9 forcement actions against, loan originators alternating be-
10 tween registration and licensing, the unique identifier used
11 to register loan originators shall link electronically with
12 the unique identifier used to license State-licensed loan
13 originators.

14 (d) ADMINISTRATION.—The Federal banking agen-
15 cies may enter into a contract with the Nationwide Mort-
16 gage Licensing System to administer the registration of
17 registered loan originators.

18 **SEC. 107. SECRETARY OF HOUSING AND URBAN DEVELOP-**
19 **MENT BACKUP AUTHORITY TO ESTABLISH A**
20 **LOAN ORIGINATOR LICENSING SYSTEM.**

21 (a) IN GENERAL.—The provisions of this section and
22 section 408 shall take effect for States that do not meet
23 the minimum standards set forth in this title for State-
24 licensed loan originators, if and only if, by the end of a
25 3-year period beginning on the date of the enactment of

1 this Act the State does not have in place by law or regula-
2 tion the minimum requirements for licensing State-li-
3 censed loan originators that meet the specifications of this
4 title and does not participate in the Nationwide Mortgage
5 Licensing System.

6 (b) BACK UP LICENSING SYSTEM.—The Secretary of
7 Housing and Urban Development (hereafter in this title
8 referred to as the “Secretary”) shall provide for the estab-
9 lishment and maintenance of a system of licensed loan
10 originators.

11 (c) ADMINISTRATION.—

12 (1) IN GENERAL.—The Secretary shall either
13 maintain and administer the system established
14 under this title or enter into a contract with the Na-
15 tionwide Mortgage Licensing System to administer
16 the system.

17 (2) CONSULTATION.—The Secretary shall con-
18 sult with the American Association of Residential
19 Mortgage Regulators, the Conference of State Bank
20 Supervisors, and other appropriate organizations in
21 determining the information to be maintained in the
22 System.

1 **SEC. 108. SYSTEM FOR STATE-LICENSED LOAN ORIGINA-**
2 **TORS.**

3 (a) IN GENERAL.—In order to facilitate the require-
4 ments of section 407, the Secretary shall develop and
5 maintain a system for State-licensed mortgage originators.

6 (b) REQUIREMENTS FOR SYSTEM.—The system es-
7 tablished under subsection (a) shall, at a minimum, meet
8 the following requirements:

9 (1) UNIQUE IDENTIFIER.—The system shall in-
10 clude a unique identifier listing each State-licensed
11 loan originator as follows:

12 (A) The Federal banking agencies, through
13 the Financial Institutions Examination Council,
14 shall coordinate with the Nationwide Mortgage
15 Licensing System to establish a unique identi-
16 fier for all loan originators.

17 (B) To facilitate tracking and identifica-
18 tion of loan originators alternating between reg-
19 istration and licensing, the unique identifier
20 used to register loan originators shall link elec-
21 tronically with the unique identifier used to li-
22 cense State-licensed loan originators.

23 (2) AVAILABILITY OF ADVERSE INFORMATION
24 ABOUT ORIGINATORS.—The system shall make avail-
25 able to the public information regarding publicly-ad-

1 judicated disciplinary and enforcement actions taken
2 against each State-licensed loan originator.

3 (3) REGULATORY INFORMATION.—The system
4 shall make available to the Secretary and to each
5 public agency or official in a State responsible for
6 regulating State-licensed loan originators such infor-
7 mation regarding State-licensed loan originators as
8 the Secretary, by regulation, considers appropriate
9 for the Secretary and such agencies and officials to
10 carry out their functions regarding regulation of
11 State-licensed loan originators, including information
12 regarding employment histories and criminal back-
13 grounds.

14 (4) AVAILABILITY OF OTHER INFORMATION TO
15 CONSUMERS.—The system shall make available to
16 persons employing or using the services of State-li-
17 censed loan originators such information regarding
18 State-licensed loan originators as the Secretary, by
19 regulation, considers appropriate.

20 (5) RECORDKEEPING.—The system shall pro-
21 vide for the maintenance of such other information
22 as the Secretary considers appropriate.

23 (c) NAME OF SYSTEM.—In the event the Secretary
24 contracts with the Nationwide Mortgage Licensing System
25 to administer the licensing of State-licensed loan origina-

1 tors, the system referenced in this subsection shall be
2 known by the name Nationwide Mortgage Licensing Sys-
3 tem.

4 **SEC. 109. FEES.**

5 The Federal banking agencies, the Secretary of
6 Housing and Urban Development, and the Nationwide
7 Mortgage Licensing System may charge reasonable fees
8 to cover the costs of maintaining and providing access to
9 information from the system to the extent such fees are
10 not charged to the general public.

11 **SEC. 110. MORTGAGE PROFESSIONAL BACKGROUND**
12 **CHECKS.**

13 (a) ACCESS TO RECORDS.—Notwithstanding any
14 other provision of the law, in providing identification and
15 processing functions, the Attorney General shall provide
16 access to all criminal history information to the appro-
17 priate State officials responsible for regulating mortgage
18 professionals if required under the laws of the State.

19 (b) AGENT.—For the purposes of this section and in
20 order to reduce the points of contact with which the Fed-
21 eral Bureau of Investigation may have to maintain for
22 purposes of subsection (a), the Conference of State Bank
23 Supervisors or a wholly owned subsidiary may be used as
24 a channeling agent of the States for requesting and dis-

1 tributing information between the Department of Justice
2 and the appropriate State agencies.

3 **SEC. 111. CONFIDENTIALITY OF INFORMATION.**

4 (a) SYSTEM CONFIDENTIALITY.—Except as other-
5 wise provided in this section, any requirement under Fed-
6 eral or State law regarding the privacy or confidentiality
7 of any information or material in the possession of the
8 Secretary or any other organization serving as the admin-
9 istrator of the system proposed in this title, and any privi-
10 lege arising under Federal or State law (including the
11 rules of any Federal or State court) with respect to such
12 information or material, shall continue to apply to such
13 information or material after the information or material
14 has been disclosed to the system. Information in the sys-
15 tem may be shared with all State and Federal regulatory
16 officials with mortgage industry oversight authority with-
17 out the loss of privilege or the loss of confidentiality pro-
18 tections provided by the Federal and State laws of the
19 States that have ownership of that information.

20 (b) NONAPPLICABILITY OF CERTAIN REQUIRE-
21 MENTS.—Information or material that is subject to a
22 privilege or confidentiality under subsection (a) shall not
23 be subject to—

24 (1) disclosure under any Federal or State law
25 governing the disclosure to the public of information

1 held by an officer or an agency of the Federal Gov-
2 ernment or the respective State; or

3 (2) subpoena or discovery, or admission into
4 evidence, in any private civil action or administrative
5 process, unless with respect to any privilege held by
6 the Secretary with respect to such information or
7 material, the participant waives, in whole or in part,
8 in the discretion of the participant, such privilege.

9 (c) PREEMPTION OF STATE LAW.—Any State law,
10 including any State open record law, relating to the disclo-
11 sure of confidential supervisory information or any infor-
12 mation or material described in subsection (a) that is in-
13 consistent with subsection (a) shall be superseded by the
14 requirements of such provision to the extent State law pro-
15 vides less confidentiality or a weaker privilege.

16 **SEC. 112. LIABILITY PROVISIONS.**

17 The Secretary of Housing and Urban Development
18 or any State official or agency, or organization serving as
19 the administrator of the system proposed in this title, or
20 employee thereof, shall not be subject to any civil action
21 or proceeding for monetary damages by reason of the
22 good-faith action or omission of any officer or employee,
23 while acting within the scope of office or employment, re-
24 lating to collecting, furnishing, or disseminating of infor-
25 mation concerning persons who are mortgage professionals

1 or are applying for licensing or registration as mortgage
2 professionals or licensed loan officers or mortgage
3 branches or mortgage companies, whether directly or
4 through the system established under this title.

5 **TITLE II—SIMPLIFIED**
6 **DISCLOSURES**

7 **SEC. 201. BASIC MORTGAGE FACTS.**

8 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-
9 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
10 after section 127A the following new section:

11 **“§ 127B. Disclosure requirements required for all**
12 **consumer credit plans secured by the**
13 **consumer’s principal dwelling.**

14 “(a) SIMPLIFIED DISCLOSURE OF BASIC MORTGAGE
15 FACTS REQUIRED.—No consumer credit transaction se-
16 cured by the principal dwelling of the consumer (hereafter
17 in this section referred to as the ‘mortgage’) may be con-
18 summated unless—

19 “(1) the mortgagee under the mortgage has
20 provided to the consumer the written disclosures re-
21 quired under subsection (b) at least 3 days before
22 the date of the settlement and execution of the mort-
23 gage; and

1 “(2) the consumer has signed the disclosure
2 under subsection (b)(1) and returned such disclosure
3 to the mortgagee.

4 “(b) CONTENTS.—With respect to a mortgage, the
5 written disclosures required under this subsection are as
6 follows:

7 “(1) STATEMENT OF MORTGAGE FACTS.—A
8 single page, written disclosure regarding the mort-
9 gage with the heading ‘Your Basic Mortgage Facts’
10 that sets forth, in accordance with such require-
11 ments as the Board shall, by regulation, establish—

12 “(A) the amount of the principal obligation
13 under the mortgage;

14 “(B) the loan-to-value ratio for the mort-
15 gage;

16 “(C) the final maturity date for the mort-
17 gage;

18 “(D) the amount and due date for any bal-
19 loon payment under the mortgage;

20 “(E) the amount of any prepayment fee to
21 be charged if the mortgage is paid in full before
22 the final maturity date for the mortgage;

23 “(F) the initial interest rate under the
24 mortgage expressed as an annual percentage

1 rate, and the amount of the monthly payment
2 due under such rate;

3 “(G) the duration during which such initial
4 interest rate will be charged;

5 “(H) the fully indexed rate of interest
6 under the mortgage expressed as an annual
7 percentage rate and the amount of the monthly
8 payment due under such rate;

9 “(I) the maximum possible rate of interest
10 under the mortgage expressed as an annual
11 percentage rate and the amount of the monthly
12 payment due under such rate;

13 “(J) the monthly household income of the
14 mortgagor upon which the mortgage is based;

15 “(K) the amount of initial monthly pay-
16 ment due under the mortgage, and the amount
17 of such initial monthly payment plus monthly
18 amounts due for taxes and insurance on the
19 property subject to the mortgage, both ex-
20 pressed as a percentage of the monthly house-
21 hold income of the mortgagor;

22 “(L) the amount of the fully indexed
23 monthly payment due under the mortgage, and
24 the amount of such fully indexed monthly pay-
25 ment plus monthly amounts due for taxes and

1 insurance on the property subject to the mort-
2 gage, both expressed as a percentage of the
3 monthly household income of the mortgagor;

4 “(M) the amount of any points to be paid
5 by the mortgagor under the mortgage and the
6 aggregate amount of any other closing costs in
7 connection with the mortgage;

8 “(N) the amount of any late payment fees
9 and a brief description of the consequences of
10 making any payment late or defaulting on the
11 mortgage, including foreclosure;

12 “(O) a name, telephone number, and elec-
13 tronic mail address that may be used by the
14 mortgagor to obtain information regarding the
15 mortgage;

16 “(P) an authorized signature of the origi-
17 nator of the mortgage;

18 “(Q) a blank space for the signature of the
19 borrower; and

20 “(R) immediately above such blank space,
21 a conspicuous statement in bold typeface, in all
22 capital letters, in a font at least equal in size
23 to the largest font otherwise used in the disclo-
24 sure, as follows: ‘DO NOT SIGN THIS IF
25 YOU DON’T UNDERSTAND IT!’.

1 “(2) STATEMENT OF DEFINITIONS AND EXPLA-
2 NATIONS.—A 2-page written disclosure that sets
3 forth, in accordance with such requirements as the
4 Board shall, by regulation in accordance with section
5 105, establish, basic easy-to-understand definitions
6 or explanations, for purposes of residential mort-
7 gages, for all of the following terms: appraised value,
8 types of loans, initial interest rate, fully indexed rate
9 of interest, maximum possible rate of interest,
10 monthly household income, monthly mortgage pay-
11 ment including taxes and insurance, fully indexed
12 housing expense ratio, prepayment fee, balloon pay-
13 ment, payment option loan, points, closing costs, and
14 default and foreclosure.

15 “(c) PREEMPTION.—The provisions of this section re-
16 lating to the disclosure of basic mortgage facts to a con-
17 sumer in connection with any mortgage shall supersede
18 the provisions of the law of any State relating to the dis-
19 closure of such facts.”.

20 (b) CLERICAL AMENDMENT.—The table of sections
21 for chapter 2 of the Truth in Lending Act is amended
22 by inserting after the item relating to section 127A the
23 following new item:

 “127B. Disclosure requirements required for all consumer credit plans secured
 by the consumer’s principal dwelling.”.

1 **TITLE III—HOUSING**
2 **COUNSELING**
3 **Subtitle A—Consumer Counseling**

4 **SEC. 301. CONSUMER COUNSELING REQUIREMENTS.**

5 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-
6 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
7 after section 129 the following new section:

8 **“§ 129A. Provisions applicable to nontraditional**
9 **mortgages**

10 “(a) CONSUMER COUNSELING REQUIREMENTS.—

11 “(1) IN GENERAL.—A creditor may not extend
12 any credit in the form of a subprime mortgage to
13 any consumer unless the creditor has provided to the
14 consumer, at such time before the consummation of
15 the mortgage and in such manner as the Board shall
16 provide by regulation—

17 “(A) a separate written statement recom-
18 mending that the consumer take advantage of
19 available home ownership or credit counseling
20 services before agreeing to the terms of any
21 subprime mortgage; and

22 “(B) a written statement containing the
23 names, addresses and telephone numbers of
24 counseling agencies or programs reasonably
25 available to the consumer that have been cer-

1 tified or approved and made publicly available
2 by the Secretary of Housing and Urban Devel-
3 opment, a State housing finance authority (as
4 defined in section 1301 of the Financial Institu-
5 tions Reform, Recovery, and Enforcement Act
6 of 1989), or the agency referred to in sub-
7 section (a) or (c) of section 108 with jurisdic-
8 tion over the creditor as qualified to provide
9 counseling on—

10 “(i) the advisability of a subprime
11 mortgage transaction; and

12 “(ii) the appropriateness of a
13 subprime mortgage for the consumer.

14 “(2) COMPLETE AND UPDATED LISTS RE-
15 QUIRED.—A creditor shall be deemed to be in com-
16 pliance with the requirements of this subsection if
17 the creditor provides the consumer with a reasonably
18 complete or updated list of counseling agencies re-
19 quired by section 5(a) of the Real Estate Settlement
20 Procedures Act of 1974.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for chapter 2 of the Truth in Lending Act is amended
23 by inserting after the item relating to section 129 the fol-
24 lowing new item:

 “129A. Provisions applicable to nontraditional mortgages.”.

1 **Subtitle B—Expanded Housing**
2 **Counseling Opportunities**

3 **SEC. 311. SHORT TITLE.**

4 This subtitle may be cited as the “Expanding Hous-
5 ing Opportunities Through Education and Counseling
6 Act”.

7 **SEC. 312. ESTABLISHMENT OF OFFICE OF HOUSING COUN-**
8 **SELING.**

9 Section 4 of the Department of Housing and Urban
10 Development Act (42 U.S.C. 3533) is amended by adding
11 at the end the following new subsection:

12 “(g) OFFICE OF HOUSING COUNSELING.—

13 “(1) ESTABLISHMENT.—There is established,
14 in the Office of the Secretary, the Office of Housing
15 Counseling.

16 “(2) DIRECTOR.—There is established the posi-
17 tion of Director of Housing Counseling. The Direc-
18 tor shall be the head of the Office of Housing Coun-
19 seling and shall be appointed by the Secretary. Such
20 position shall be a career-reserved position in the
21 Senior Executive Service.

22 “(3) FUNCTIONS.—

23 “(A) IN GENERAL.—The Director shall
24 have ultimate responsibility within the Depart-
25 ment, except for the Secretary, for all activities

1 and matters relating to homeownership coun-
2 seling and rental housing counseling, includ-
3 ing—

4 “(i) research, grant administration,
5 public outreach, and policy development re-
6 lating to such counseling; and

7 “(ii) establishment, coordination, and
8 administration of all regulations, require-
9 ments, standards, and performance meas-
10 ures under programs and laws adminis-
11 tered by the Department that relate to
12 housing counseling, homeownership coun-
13 seling (including maintenance of homes),
14 mortgage-related counseling (including
15 home equity conversion mortgages and
16 credit protection options to avoid fore-
17 closure), and rental housing counseling, in-
18 cluding the requirements, standards, and
19 performance measures relating to housing
20 counseling.

21 “(B) SPECIFIC FUNCTIONS.—The Director
22 shall carry out the functions assigned to the Di-
23 rector and the Office under this section and any
24 other provisions of law. Such functions shall in-
25 clude establishing rules necessary for—

1 “(i) the counseling procedures under
2 section 106(h)(1) of the Housing and
3 Urban Development Act of 1968 (12
4 U.S.C. 1701x(h)(1));

5 “(ii) carrying out all other functions
6 of the Secretary under section 106(h) of
7 the Housing and Urban Development Act
8 of 1968, including the establishment, oper-
9 ation, and publication of the availability of
10 the toll-free telephone number under para-
11 graph (2) of such section;

12 “(iii) carrying out section 5 of the
13 Real Estate Settlement Procedures Act of
14 1974 (12 U.S.C. 2604) for home buying
15 information booklets prepared pursuant to
16 such section;

17 “(iv) carrying out the certification
18 program under section 106(e) of the Hous-
19 ing and Urban Development Act of 1968
20 (12 U.S.C. 1701x(e));

21 “(v) carrying out the assistance pro-
22 gram under section 106(a)(4) of the Hous-
23 ing and Urban Development Act of 1968,
24 including criteria for selection of applica-
25 tions to receive assistance;

1 “(vi) providing for operation of the
2 advisory committee established under para-
3 graph (4) of this subsection; and

4 “(vii) collaborating with community-
5 based organizations with expertise in the
6 field of housing counseling.

7 “(4) ADVISORY COMMITTEE.—

8 “(A) IN GENERAL.—The Secretary shall
9 appoint an advisory committee to provide advice
10 and oversight regarding the carrying out of the
11 functions of the Director.

12 “(B) MEMBERS.—Such advisory committee
13 shall consist of not more than 12 individuals,
14 and the membership of the committee shall
15 equally represent all aspects of the mortgage
16 and real estate industry, including consumers.

17 “(C) TERMS.—Except as provided in sub-
18 paragraph (D), each member of the advisory
19 committee shall be appointed for a term of 3
20 years. Members may be reappointed at the dis-
21 cretion of the Secretary.

22 “(D) TERMS OF INITIAL APPOINTEES.—As
23 designated by the Secretary at the time of ap-
24 pointment, of the members first appointed to
25 the advisory committee, 4 shall be appointed for

1 a term of 1 year and 4 shall be appointed for
2 a term of 2 years.

3 “(E) PROHIBITION OF PAY; TRAVEL EX-
4 PENSES.—Members of the advisory committee
5 shall serve without pay, but shall receive travel
6 expenses, including per diem in lieu of subsist-
7 ence, in accordance with applicable provisions
8 under subchapter I of chapter 57 of title 5,
9 United States Code.

10 “(F) ADVISORY ROLE ONLY.—The advi-
11 sory committee shall have no role in reviewing
12 or awarding housing counseling grants.

13 “(5) SCOPE OF HOMEOWNERSHIP COUN-
14 SELING.—In carrying out the responsibilities of the
15 Director, the Director shall ensure that homeowner-
16 ship counseling provided by, in connection with, or
17 pursuant to any function, activity, or program of the
18 Department addresses the entire process of home-
19 ownership, including the decision to purchase a
20 home, the selection and purchase of a home, issues
21 arising during or affecting the period of ownership
22 of a home (including refinancing, default and fore-
23 closure, and other financial decisions), and the sale
24 or other disposition of a home.”.

1 **SEC. 313. COUNSELING PROCEDURES.**

2 (a) IN GENERAL.—Section 106 of the Housing and
3 Urban Development Act of 1968 (12 U.S.C. 1701x), as
4 amended by the preceding provisions of this title, is fur-
5 ther amended by adding at the end the following new sub-
6 section:

7 “(h) PROCEDURES AND ACTIVITIES.—

8 “(1) COUNSELING PROCEDURES.—

9 “(A) IN GENERAL.—The Secretary shall
10 establish, coordinate, and monitor the adminis-
11 tration by the Department of Housing and
12 Urban Development of the counseling proce-
13 dures for homeownership counseling and rental
14 housing counseling provided in connection with
15 any program of the Department, including all
16 requirements, standards, and performance
17 measures that relate to homeownership and
18 rental housing counseling.

19 “(B) HOMEOWNERSHIP COUNSELING.—

20 For purposes of this subsection and as used in
21 the provisions referred to in this subparagraph,
22 the term ‘homeownership counseling’ means
23 counseling related to homeownership and resi-
24 dential mortgage loans. Such term includes
25 counseling related to homeownership and resi-

1 dential mortgage loans that is provided pursu-
2 ant to—

3 “(i) section 105(a)(20) of the Housing
4 and Community Development Act of 1974
5 (42 U.S.C. 5305(a)(20));

6 “(ii) in the United States Housing
7 Act of 1937—

8 “(I) section 9(e) (42 U.S.C.
9 1437g(e));

10 “(II) section 8(y)(1)(D) (42
11 U.S.C. 1437f(y)(1)(D));

12 “(III) section 18(a)(4)(D) (42
13 U.S.C. 1437p(a)(4)(D));

14 “(IV) section 23(c)(4) (42 U.S.C.
15 1437u(c)(4));

16 “(V) section 32(e)(4) (42 U.S.C.
17 1437z-4(e)(4));

18 “(VI) section 33(d)(2)(B) (42
19 U.S.C. 1437z-5(d)(2)(B));

20 “(VII) sections 302(b)(6) and
21 303(b)(7) (42 U.S.C. 1437aaa-
22 1(b)(6), 1437aaa-2(b)(7)); and

23 “(VIII) section 304(c)(4) (42
24 U.S.C. 1437aaa-3(c)(4));

1 “(iii) section 302(a)(4) of the Amer-
2 ican Homeownership and Economic Oppor-
3 tunity Act of 2000 (42 U.S.C. 1437f note);

4 “(iv) sections 233(b)(2) and 258(b) of
5 the Cranston-Gonzalez National Affordable
6 Housing Act (42 U.S.C. 12773(b)(2),
7 12808(b));

8 “(v) this section and section 101(e) of
9 the Housing and Urban Development Act
10 of 1968 (12 U.S.C. 1701x, 1701w(e));

11 “(vi) section 220(d)(2)(G) of the Low-
12 Income Housing Preservation and Resident
13 Homeownership Act of 1990 (12 U.S.C.
14 4110(d)(2)(G));

15 “(vii) sections 422(b)(6), 423(b)(7),
16 424(c)(4), 442(b)(6), and 443(b)(6) of the
17 Cranston-Gonzalez National Affordable
18 Housing Act (42 U.S.C. 12872(b)(6),
19 12873(b)(7), 12874(c)(4), 12892(b)(6),
20 and 12893(b)(6));

21 “(viii) section 491(b)(1)(F)(iii) of the
22 McKinney-Vento Homeless Assistance Act
23 (42 U.S.C. 11408(b)(1)(F)(iii));

24 “(ix) sections 202(3) and
25 810(b)(2)(A) of the Native American

1 Housing and Self-Determination Act of
2 1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));

3 “(x) in the National Housing Act—

4 “(I) in section 203 (12 U.S.C.
5 1709), the penultimate undesignated
6 paragraph of paragraph (2) of sub-
7 section (b), subsection (c)(2)(A), and
8 subsection (r)(4);

9 “(II) subsections (a) and (c)(3)
10 of section 237 (12 U.S.C. 1715z-2);
11 and

12 “(III) subsections (d)(2)(B) and
13 (m)(1) of section 255 (12 U.S.C.
14 1715z-20);

15 “(xi) section 502(h)(4)(B) of the
16 Housing Act of 1949 (42 U.S.C.
17 1472(h)(4)(B)); and

18 “(xii) section 508 of the Housing and
19 Urban Development Act of 1970 (12
20 U.S.C. 1701z-7).

21 “(C) RENTAL HOUSING COUNSELING.—

22 For purposes of this subsection, the term ‘rent-
23 al housing counseling’ means counseling related
24 to rental of residential property, which may in-
25 clude counseling regarding future homeowner-

1 ship opportunities and providing referrals for
2 renters and prospective renters to entities pro-
3 viding counseling and shall include counseling
4 related to such topics that is provided pursuant
5 to—

6 “(i) section 105(a)(20) of the Housing
7 and Community Development Act of 1974
8 (42 U.S.C. 5305(a)(20));

9 “(ii) in the United States Housing
10 Act of 1937—

11 “(I) section 9(e) (42 U.S.C.
12 1437g(e));

13 “(II) section 18(a)(4)(D) (42
14 U.S.C. 1437p(a)(4)(D));

15 “(III) section 23(c)(4) (42
16 U.S.C. 1437u(c)(4));

17 “(IV) section 32(e)(4) (42 U.S.C.
18 1437z-4(e)(4));

19 “(V) section 33(d)(2)(B) (42
20 U.S.C. 1437z-5(d)(2)(B)); and

21 “(VI) section 302(b)(6) (42
22 U.S.C. 1437aaa-1(b)(6));

23 “(iii) section 233(b)(2) of the Cran-
24 ston-Gonzalez National Affordable Housing
25 Act (42 U.S.C. 12773(b)(2));

1 “(iv) section 106 of the Housing and
2 Urban Development Act of 1968 (12
3 U.S.C. 1701x);

4 “(v) section 422(b)(6) of the Cran-
5 ston-Gonzalez National Affordable Housing
6 Act (42 U.S.C. 12872(b)(6));

7 “(vi) section 491(b)(1)(F)(iii) of the
8 McKinney-Vento Homeless Assistance Act
9 (42 U.S.C. 11408(b)(1)(F)(iii));

10 “(vii) sections 202(3) and
11 810(b)(2)(A) of the Native American
12 Housing and Self-Determination Act of
13 1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));
14 and

15 “(viii) the rental assistance program
16 under section 8 of the United States Hous-
17 ing Act of 1937 (42 U.S.C. 1437f).

18 “(2) STANDARDS FOR MATERIALS.—The Sec-
19 retary, in conjunction with the advisory committee
20 established under subsection (g)(4), shall establish
21 standards for materials and forms to be used, as ap-
22 propriate, by organizations providing homeownership
23 counseling services, including any recipients of as-
24 sistance pursuant to subsection (a)(4).

25 “(3) MORTGAGE SOFTWARE SYSTEMS.—

1 “(A) CERTIFICATION.—The Secretary shall
2 provide for the certification of various computer
3 software programs for consumers to use in eval-
4 uating different residential mortgage loan pro-
5 posals. The Secretary shall require, for such
6 certification, that the mortgage software sys-
7 tems take into account—

8 “(i) the consumer’s financial situation
9 and the cost of maintaining a home, in-
10 cluding insurance, taxes, and utilities;

11 “(ii) the amount of time the consumer
12 expects to remain in the home or expected
13 time to maturity of the loan;

14 “(iii) such other factors as the Sec-
15 retary considers appropriate to assist the
16 consumer in evaluating whether to pay
17 points, to lock in an interest rate, to select
18 an adjustable or fixed rate loan, to select
19 a conventional or government-insured or
20 guaranteed loan and to make other choices
21 during the loan application process.

22 If the Secretary determines that available exist-
23 ing software is inadequate to assist consumers
24 during the residential mortgage loan application
25 process, the Secretary shall arrange for the de-

1 velopment by private sector software companies
2 of new mortgage software systems that meet
3 the Secretary's specifications.

4 “(B) USE AND INITIAL AVAILABILITY.—
5 Such certified computer software programs
6 shall be used to supplement, not replace, hous-
7 ing counseling. The Secretary shall provide that
8 such programs are initially used only in connec-
9 tion with the assistance of housing counselors
10 certified pursuant to subsection (e).

11 “(C) AVAILABILITY.—After a period of ini-
12 tial availability under subparagraph (B) as the
13 Secretary considers appropriate, the Secretary
14 shall take reasonable steps to make mortgage
15 software systems certified pursuant to this
16 paragraph widely available through the Internet
17 and at public locations, including public librar-
18 ies, senior-citizen centers, public housing sites,
19 offices of public housing agencies that admin-
20 ister rental housing assistance vouchers, and
21 housing counseling centers.

22 “(4) NATIONAL PUBLIC SERVICE MULTIMEDIA
23 CAMPAIGNS TO PROMOTE HOUSING COUNSELING.—

24 “(A) IN GENERAL.—The Director of Hous-
25 ing Counseling shall develop, implement, and

1 conduct national public service multimedia cam-
2 paigns designed to make persons facing mort-
3 gage foreclosure, persons considering a
4 subprime mortgage loan to purchase a home, el-
5 derly persons, persons who face language bar-
6 riers, low-income persons, and other potentially
7 vulnerable consumers aware that it is advisable,
8 before seeking or maintaining a residential
9 mortgage loan, to obtain homeownership coun-
10 seling from an unbiased and reliable sources
11 and that such homeownership counseling is
12 available, including through programs spon-
13 sored by the Secretary of Housing and Urban
14 Development.

15 “(B) CONTACT INFORMATION.—Each seg-
16 ment of the multimedia campaign under sub-
17 paragraph (A) shall publicize the toll-free tele-
18 phone number and web site of the Department
19 of Housing and Urban Development through
20 which persons seeking housing counseling can
21 locate a housing counseling agency in their
22 State that is certified by the Secretary of Hous-
23 ing and Urban Development and can provide
24 advice on buying a home, renting, defaults,

1 foreclosures, credit issues, and reverse mort-
2 gages.

3 “(C) AUTHORIZATION OF APPROPRIA-
4 TIONS.—There are authorized to be appro-
5 priated to the Secretary, not to exceed
6 \$3,000,000 for fiscal years 2008, 2009, and
7 2010, for the develop, implement, and conduct
8 of national public service multimedia campaigns
9 under this paragraph.

10 “(5) EDUCATION PROGRAMS.—The Secretary
11 shall provide advice and technical assistance to
12 States, units of general local government, and non-
13 profit organizations regarding the establishment and
14 operation of, including assistance with the develop-
15 ment of content and materials for, educational pro-
16 grams to inform and educate consumers, particularly
17 those most vulnerable with respect to residential
18 mortgage loans (such as elderly persons, persons
19 facing language barriers, low-income persons, and
20 other potentially vulnerable consumers), regarding
21 home mortgages, mortgage refinancing, home equity
22 loans, and home repair loans.”.

23 (b) CONFORMING AMENDMENTS TO GRANT PRO-
24 GRAM FOR HOMEOWNERSHIP COUNSELING ORGANIZA-
25 TIONS.—Section 106(c)(5)(A)(ii) of the Housing and

1 Urban Development Act of 1968 (12 U.S.C.
2 1701x(c)(5)(A)(ii)) is amended—

3 (1) in subclause (II), by striking “and” at the
4 end;

5 (2) in subclause (III) by striking the period at
6 the end and inserting “; and”; and

7 (3) by inserting after subclause (III) the fol-
8 lowing new subclause:

9 (IV) notify the housing or mort-
10 gage applicant of the availability of
11 mortgage software systems provided
12 pursuant to subsection (h)(4).”.

13 **SEC. 314. GRANTS FOR HOUSING COUNSELING ASSIST-**
14 **ANCE.**

15 Section 106(a) of the Housing and Urban Develop-
16 ment Act of 1968 (12 U.S.C. 1701x(a)(3)) is amended
17 by adding at the end the following new paragraph:

18 “(4) HOMEOWNERSHIP AND RENTAL COUNSELING
19 ASSISTANCE.—

20 “(A) IN GENERAL.—The Secretary shall make
21 financial assistance available under this paragraph
22 to States, units of general local governments, and
23 nonprofit organizations providing homeownership or
24 rental counseling (as such terms are defined in sub-
25 section (h)(1)).

1 “(B) QUALIFIED ENTITIES.—The Secretary
2 shall establish standards and guidelines for eligibility
3 of organizations (including governmental and non-
4 profit organizations) to receive assistance under this
5 paragraph.

6 “(C) DISTRIBUTION.—Assistance made avail-
7 able under this paragraph shall be distributed in a
8 manner that encourages efficient and successful
9 counseling programs.

10 “(D) AUTHORIZATION OF APPROPRIATIONS.—
11 There are authorized to be appropriated
12 \$100,000,000 for each of fiscal years 2008 through
13 2011 for—

14 “(i) the operations of the Office of Hous-
15 ing Counseling of the Department of Housing
16 and Urban Development;

17 “(ii) the responsibilities of the Secretary
18 under paragraphs (2) through (6) of subsection
19 (h); and

20 “(iii) assistance pursuant to this para-
21 graph for entities providing homeownership and
22 rental counseling.”.

1 **SEC. 315. REQUIREMENTS TO USE HUD-CERTIFIED COUN-**
2 **SELORS UNDER HUD PROGRAMS.**

3 Section 106(e) of the Housing and Urban Develop-
4 ment Act of 1968 (12 U.S.C. 1701x(e)) is amended—

5 (1) by striking paragraph (1) and inserting the
6 following new paragraph:

7 “(1) REQUIREMENT FOR ASSISTANCE.—An or-
8 ganization may not receive assistance for counseling
9 activities under subsection (a)(1)(iii), (a)(2), (a)(4),
10 (c), or (d) of this section, or under section 101(e),
11 unless the organization, or the individuals through
12 which the organization provides such counseling, has
13 been certified by the Secretary under this subsection
14 as competent to provide such counseling.”;

15 (2) in paragraph (2)—

16 (A) by inserting “and for certifying organi-
17 zations” before the period at the end of the
18 first sentence; and

19 (B) in the second sentence by striking “for
20 certification” and inserting “, for certification
21 of an organization, that each individual through
22 which the organization provides counseling shall
23 demonstrate, and, for certification of an indi-
24 vidual,”;

25 (3) in paragraph (3), by inserting “organiza-
26 tions and” before “individuals”;

1 (4) by redesignating paragraph (3) as para-
2 graph (5); and

3 (5) by inserting after paragraph (2) the fol-
4 lowing new paragraphs:

5 “(3) REQUIREMENT UNDER HUD PROGRAMS.—
6 Any homeownership counseling or rental housing
7 counseling (as such terms are defined in subsection
8 (h)(1)) required under, or provided in connection
9 with, any program administered by the Department
10 of Housing and Urban Development shall be pro-
11 vided only by organizations or counselors certified by
12 the Secretary under this subsection as competent to
13 provide such counseling.

14 “(4) OUTREACH.—The Secretary shall take
15 such actions as the Secretary considers appropriate
16 to ensure that individuals and organizations pro-
17 viding homeownership or rental housing counseling
18 are aware of the certification requirements and
19 standards of this subsection and of the training and
20 certification programs under subsection (f).”.

21 **SEC. 316. STUDY OF DEFAULTS AND FORECLOSURES.**

22 The Secretary of Housing and Urban Development
23 shall conduct an extensive study of the root causes of de-
24 fault and foreclosure of home loans, using as much empir-
25 ical data as are available. The study shall also examine

1 the role of escrow accounts in helping prime and nonprime
2 borrowers to avoid defaults and foreclosures. Not later
3 than 12 months after the date of the enactment of this
4 Act, the Secretary shall submit to the Congress a prelimi-
5 nary report regarding the study. Not later than 24 months
6 after such date of enactment, the Secretary shall submit
7 a final report regarding the results of the study, which
8 shall include any recommended legislation relating to the
9 study, and recommendations for best practices and for a
10 process to identify populations that need counseling the
11 most.

12 **SEC. 317. DEFINITIONS FOR COUNSELING-RELATED PRO-**
13 **GRAMS.**

14 Section 106 of the Housing and Urban Development
15 Act of 1968 (12 U.S.C. 1701x), as amended by the pre-
16 ceding provisions of this title, is further amended by add-
17 ing at the end the following new subsection:

18 “(i) DEFINITIONS.—For purposes of this section:

19 “(1) NONPROFIT ORGANIZATION.—The term
20 ‘nonprofit organization’ has the meaning given such
21 term in section 104(5) of the Cranston-Gonzalez Na-
22 tional Affordable Housing Act (42 U.S.C.
23 12704(5)), except that subparagraph (D) of such
24 section shall not apply for purposes of this section.

1 “(2) STATE.—The term ‘State’ means each of
 2 the several States, the Commonwealth of Puerto
 3 Rico, the District of Columbia, the Commonwealth
 4 of the Northern Mariana Islands, Guam, the Virgin
 5 Islands, American Samoa, the Trust Territories of
 6 the Pacific, or any other possession of the United
 7 States.

8 “(3) UNIT OF GENERAL LOCAL GOVERN-
 9 MENT.—The term ‘unit of general local government’
 10 means any city, county, parish, town, township, bor-
 11 ough, village, or other general purpose political sub-
 12 division of a State.”.

13 **SEC. 318. UPDATING AND SIMPLIFICATION OF MORTGAGE**
 14 **INFORMATION BOOKLET.**

15 Section 5 of the Real Estate Settlement Procedures
 16 Act of 1974 (12 U.S.C. 2604) is amended—

17 (1) in the section heading, by striking “SPE-
 18 CIAL” and inserting “HOME BUYING”;

19 (2) by striking subsections (a) and (b) and in-
 20 serting the following new subsections:

21 “(a) PREPARATION AND DISTRIBUTION.—The Sec-
 22 retary shall prepare, at least once every 5 years, a booklet
 23 to help consumers applying for federally related mortgage
 24 loans to understand the nature and costs of real estate
 25 settlement services. The Secretary shall prepare the book-

1 let in various languages and cultural styles, as the Sec-
2 retary determines to be appropriate, so that the booklet
3 is understandable and accessible to homebuyers of dif-
4 ferent ethnic and cultural backgrounds. The Secretary
5 shall distribute such booklets to all lenders that make fed-
6 erally related mortgage loans. The Secretary shall also dis-
7 tribute to such lenders lists, organized by location, of
8 homeownership counselors certified under section 106(e)
9 of the Housing and Urban Development Act of 1968 (12
10 U.S.C. 1701x(e)) for use in complying with the require-
11 ment under subsection (c) of this section.

12 “(b) CONTENTS.—Each booklet shall be in such form
13 and detail as the Secretary shall prescribe and, in addition
14 to such other information as the Secretary may provide,
15 shall include in plain and understandable language the fol-
16 lowing information:

17 “(1) A description and explanation of the na-
18 ture and purpose of the costs incident to a real es-
19 tate settlement or a federally related mortgage loan.
20 The description and explanation shall provide gen-
21 eral information about the mortgage process as well
22 as specific information concerning, at a minimum—

23 “(A) balloon payments;

24 “(B) prepayment penalties; and

1 “(C) the trade-off between closing costs
2 and the interest rate over the life of the loan.

3 “(2) An explanation and sample of the uniform
4 settlement statement required by section 4.

5 “(3) A list and explanation of lending practices,
6 including those prohibited by the Truth in Lending
7 Act or other applicable Federal law, and of other un-
8 fair practices and unreasonable or unnecessary
9 charges to be avoided by the prospective buyer with
10 respect to a real estate settlement.

11 “(4) A list and explanation of questions a con-
12 sumer obtaining a federally related mortgage loan
13 should ask regarding the loan, including whether the
14 consumer will have the ability to repay the loan,
15 whether the consumer sufficiently shopped for the
16 loan, whether the loan terms include prepayment
17 penalties or balloon payments, and whether the loan
18 will benefit the borrower.

19 “(5) An explanation of the right of rescission as
20 to certain transactions provided by sections 125 and
21 129 of the Truth in Lending Act.

22 “(6) A brief explanation of the nature of a vari-
23 able rate mortgage and a reference to the booklet
24 entitled ‘Consumer Handbook on Adjustable Rate
25 Mortgages’, published by the Board of Governors of

1 the Federal Reserve System pursuant to section
2 226.19(b)(1) of title 12, Code of Federal Regula-
3 tions, or to any suitable substitute of such booklet
4 that such Board of Governors may subsequently
5 adopt pursuant to such section.

6 “(7) A brief explanation of the nature of a
7 home equity line of credit and a reference to the
8 pamphlet required to be provided under section
9 127A of the Truth in Lending Act.

10 “(8) Information about homeownership coun-
11 seling services made available pursuant to section
12 106(a)(4) of the Housing and Urban Development
13 Act of 1968 (12 U.S.C. 1701x(a)(4)), a rec-
14 ommendation that the consumer use such services,
15 and notification that a list of certified providers of
16 homeownership counseling in the area, and their
17 contact information, is available.

18 “(9) An explanation of the nature and purpose
19 of escrow accounts when used in connection with
20 loans secured by residential real estate and the re-
21 quirements under section 10 of this Act regarding
22 such accounts.

23 “(10) An explanation of the choices available to
24 buyers of residential real estate in selecting persons

1 to provide necessary services incidental to a real es-
2 tate settlement.

3 “(11) An explanation of a consumer’s respon-
4 sibilities, liabilities, and obligations in a mortgage
5 transaction.

6 “(12) An explanation of the nature and purpose
7 of real estate appraisals, including the difference be-
8 tween an appraisal and a home inspection.

9 “(13) Notice that the Office of Housing of the
10 Department of Housing and Urban Development has
11 made publicly available a brochure regarding loan
12 fraud and a World Wide Web address and toll-free
13 telephone number for obtaining the brochure.

14 The booklet prepared pursuant to this section shall take
15 into consideration differences in real estate settlement pro-
16 cedures that may exist among the several States and terri-
17 tories of the United States and among separate political
18 subdivisions within the same State and territory.”;

19 (3) in subsection (c), by striking the last sen-
20 tence and inserting the following new sentence:
21 “Each lender shall also include with the booklet a
22 reasonably complete or updated list of homeowner-
23 ship counselors who are certified pursuant to section
24 106(e) of the Housing and Urban Development Act

1 of 1968 (12 U.S.C. 1701x(e)) and located in the
2 area of the lender.”; and

3 (4) in subsection (d), by inserting after the pe-
4 riod at the end of the first sentence the following:
5 “The lender shall provide the HUD-issued booklet in
6 the version that is most appropriate for the person
7 receiving it.”.

8 **TITLE IV—PROHIBITION ON**
9 **ABUSIVE PRACTICES**

10 **Subtitle A—Mortgage Servicing**

11 **SEC. 401. ESCROW AND IMPOUND ACCOUNTS RELATING TO**
12 **CERTAIN CONSUMER CREDIT TRANS-**
13 **ACTIONS.**

14 (a) **IN GENERAL.**—Chapter 2 of the Truth in Lend-
15 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
16 after section 129A (as added by section 301(a) of this Act)
17 the following new section:

18 **“SEC. 129B. ESCROW OR IMPOUND ACCOUNTS RELATING**
19 **TO CERTAIN CONSUMER CREDIT TRANS-**
20 **ACTIONS.**

21 “(a) **IN GENERAL.**—A creditor, in connection with
22 the formation or consummation of a subprime mortgage,
23 shall establish, at the time of the consummation of such
24 mortgage, an escrow or impound account for the payment
25 of taxes and hazard insurance as provided in, and in ac-

1 cordance with, this section, unless such an account already
2 exists.

3 “(b) DURATION OF ESCROW OR IMPOUND AC-
4 COUNT.—An escrow or impound account established pur-
5 suant to this section, shall remain in existence for a min-
6 imum period of 5 years, unless the underlying mortgage
7 is terminated.

8 “(c) ADMINISTRATION OF ESCROW OR IMPOUND AC-
9 COUNTS.—Except as may otherwise be provided for in this
10 title or in regulations prescribed by the Board, escrow or
11 impound accounts established pursuant to this section
12 shall be established in an insured depository institution.

13 “(d) DISCLOSURES RELATING TO ESCROW OR IM-
14 POUND ACCOUNT.—

15 “(1) IN GENERAL.—In the case of any im-
16 pound, trust, or escrow account that is subject to
17 this section, the creditor shall disclose by written no-
18 tice to the consumer within 3 business days before
19 the consummation of the consumer credit trans-
20 action giving rise to such account the following in-
21 formation:

22 “(A) The fact that an escrow or impound
23 account will be established at consummation of
24 the transaction.

1 “(B) The amount required at closing to
2 initially fund the escrow or impound account.

3 “(C) The amount in the initial year of the
4 estimated taxes and hazard insurance pre-
5 miums.

6 “(D) The estimated monthly amount pay-
7 able for taxes and hazard insurance.

8 “(E) The fact that if the consumer chooses
9 to terminate the account after 5 years, the con-
10 sumer will become responsible for the payment
11 of all taxes and hazard insurance on the prop-
12 erty unless a new escrow or impound account is
13 established.

14 “(2) REGULATIONS.—The Board shall prescribe
15 by regulation the contents of the notice required in
16 paragraph (1) no later than 90 days after the date
17 of the enactment of the Fair Mortgage Practices Act
18 of 2007.

19 “(e) HAZARD INSURANCE DEFINED.—For purposes
20 of this section, the term ‘hazard insurance’ shall have the
21 same meaning as provided under the law of the State
22 where the real property securing the consumer credit
23 transaction is located.”.

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for chapter 2 of the Truth in Lending Act is amended

1 by inserting after the item relating to section 129A (as
 2 added by section 301(a) of this Act) the following new
 3 item:

“129B. Escrow or impound accounts relating to certain consumer credit trans-
 actions.”.

4 **SEC. 402. DISCLOSURE NOTICE REQUIRED FOR CON-**
 5 **SUMERS WHO OPT OUT OF ESCROW SERV-**
 6 **ICES.**

7 Section 129B of the Truth in Lending Act (as added
 8 by section 401(a) of this title) is amended by adding at
 9 the end the following new subsections:

10 “(g) DISCLOSURE NOTICE REQUIRED FOR CON-
 11 SUMERS WHO OPT OUT OF ESCROW SERVICES.—

12 “(1) IN GENERAL.—If an impound, trust, or
 13 other type of account for the payment of property
 14 taxes, insurance premiums, or other purposes relat-
 15 ing to property securing a consumer credit trans-
 16 action is not established in connection with any con-
 17 sumer credit transaction secured by the principal
 18 dwelling of the consumer, or if a consumer chooses,
 19 at any time after such an account is established in
 20 connection with any such transaction, to close such
 21 account, the creditor shall provide a timely and
 22 clearly written disclosure to the consumer that ad-
 23 vises the consumer of the responsibilities of the con-

1 consumer and implications for the consumer in the ab-
2 sence of any such account, including—

3 “(A) information concerning any applicable
4 fees associated with either the nonestablishment
5 of any such account at the time of the trans-
6 action, or any subsequent closure of any such
7 account;

8 “(B) clear and prominent notice that the
9 consumer is responsible for personally and di-
10 rectly paying the non-escrowed items, in addi-
11 tion to paying the mortgage loan payment, in
12 the absence of any such account; and

13 “(C) a clear explanation of the con-
14 sequences of any failure to pay non-escrowed
15 items, including the possible requirement for di-
16 rect placement of insurance by the creditor and
17 the potentially higher cost (including any poten-
18 tial commission payments to the servicer) or re-
19 duced coverage for the consumer in the event of
20 any such creditor-placed insurance.

21 “(2) REGULATIONS.—The Board shall prescribe
22 such regulations as are necessary to implement the
23 requirements of this subsection in final form before
24 the end of the 12-month period beginning on the

1 date of the enactment of the Fair Mortgage Prac-
2 tices Act of 2007.

3 “(h) PREEMPTION.—The provisions of this section
4 requiring disclosures relating to impound, trust, or escrow
5 accounts, including disclosures under subsection (g) to a
6 consumer shall supersede the provisions of the law of any
7 State relating to such disclosures.”.

8 **Subtitle B—Nontraditional** 9 **Mortgage Provisions**

10 **SEC. 411. PREPAYMENT PENALTIES.**

11 Section 129A of the Truth in Lending Act (as added
12 by section 301(a)) is amended by adding at the end the
13 following new subsection:

14 “(b) LIMITATION ON PREPAYMENT PENALTIES FOR
15 HYBRID ARMS.—

16 “(1) IN GENERAL.—In the case of a consumer
17 credit transaction secured by the consumer’s prin-
18 cipal residence with a fixed interest rate for an in-
19 troductory period that resets to a variable interest
20 rate after such period, the transaction may not con-
21 tain terms under which a consumer must pay a pre-
22 payment penalty for paying all or part of the prin-
23 cipal before the date on which the principal is due
24 at any time after the beginning of the 120-day pe-

1 riod ending on the date of the reset to a variable in-
2 terest rate.

3 “(2) PREEMPTION.—The provisions of this sec-
4 tion relating to prepayment penalties with respect to
5 any consumer credit transaction secured by the con-
6 sumer’s principal residence with a fixed interest rate
7 for an introductory period that resets to a variable
8 interest rate after such period shall supersede the
9 provisions of the law of any State relating to prepay-
10 ment penalties with respect to any such trans-
11 action.”.

12 **SEC. 412. ABILITY TO REPAY.**

13 Section 129A of the Truth in Lending Act is amend-
14 ed by inserting after subsection (b) (as added by section
15 411 of this subtitle) the following new subsection:

16 “(c) ABILITY TO REPAY.—The Board, in consulta-
17 tion with other Federal banking agencies (as defined in
18 section 3 of the Federal Deposit Insurance Act), shall pre-
19 scribe regulations in accordance with section 105, or issue
20 guidance, that encourages any creditor with respect to a
21 consumer credit transaction secured by the consumer’s
22 principal residence to evaluate the consumer’s ability to
23 repay the transaction under the terms of the trans-
24 action.”.

1 **TITLE V—MORTGAGE FRAUD**

2 **SEC. 501. AUTHORIZATION OF APPROPRIATIONS FOR**
3 **MORTGAGE FRAUD PREVENTION, INVESTIGA-**
4 **TION, AND PROSECUTION.**

5 For fiscal years 2008, 2009, 2010, 2011, and 2012,
6 there are authorized to be appropriated to the Attorney
7 General a total of \$20,000,000, in addition to other
8 amounts authorized to be appropriated to the Attorney
9 General for any such fiscal year, for the purpose of en-
10 hancing the efforts of the Department of Justice and the
11 Federal Bureau of Investigation to prevent, investigate,
12 and prosecute mortgage fraud.

13 **TITLE VI—APPRAISAL**
14 **ACTIVITIES**

15 **SEC. 601. PROPERTY APPRAISAL REQUIREMENTS.**

16 Section 129A of the Truth in Lending Act is amend-
17 ed by inserting after subsection (c) (as added by section
18 412 of this Act) the following new subsection:

19 “(d) **PROPERTY APPRAISAL REQUIREMENTS.**—

20 “(1) **IN GENERAL.**—A creditor may not extend
21 credit in the form of a subprime mortgage to any
22 consumer without first obtaining a written appraisal
23 of the property to be mortgaged prepared in accord-
24 ance with the requirements of this subsection.

25 “(2) **APPRAISAL REQUIREMENTS.**—

1 “(A) PHYSICAL INSPECTION.—An ap-
2 praisal of property to be secured by a subprime
3 mortgage does not meet the requirement of this
4 subsection unless it is performed by a qualified
5 appraiser who conducts a physical inspection of
6 the mortgaged property.

7 “(B) SECOND APPRAISAL UNDER CERTAIN
8 CIRCUMSTANCES.—

9 “(i) IN GENERAL.—If the purpose of
10 the subprime mortgage is to finance the
11 purchase or acquisition of the mortgaged
12 property from a person within 180 days of
13 the purchase or acquisition of such prop-
14 erty by that person at a price that was
15 lower than the current sale price of the
16 property, the creditor shall obtain a second
17 appraisal from a second qualified appraiser
18 that supports the current sale price of the
19 property.

20 “(ii) NO COST TO CONSUMER.—The
21 cost of any second appraisal required
22 under clause (i) may not be charged to the
23 consumer.

1 “(C) QUALIFIED APPRAISER DEFINED.—

2 For purposes of this subsection, the term

3 ‘qualified appraiser’ means a person who—

4 “(i) is certified or licensed by the

5 State in which property to be appraised is

6 located; and

7 “(ii) performs each appraisal in con-

8 formity with the Uniform Standards of

9 Professional Appraisal Practice and Title

10 XI of the Financial Institutions Reform,

11 Recovery, and Enforcement Act of 1989,

12 and the regulations prescribed under such

13 title, as in effect on the date of the ap-

14 praisal.

15 “(3) FREE COPY OF APPRAISAL.—A creditor

16 shall provide 1 copy of each appraisal conducted in

17 accordance with this subsection in connection with a

18 higher-cost mortgage to the consumer without

19 charge.

20 “(4) VIOLATIONS.—In addition to any other li-

21 ability to any person under this title, a creditor

22 found to have willfully failed to obtain an appraisal

23 as required in this subsection shall be liable to the

24 consumer for the sum of \$2,000.”.

1 **SEC. 602. AMENDMENTS RELATING TO APPRAISAL SUB-**
2 **COMMITTEE OF FIEC, APPRAISER INDEPEND-**
3 **ENCE, AND APPROVED APPRAISER EDU-**
4 **CATION.**

5 (a) ANNUAL REPORT OF APPRAISAL SUB-
6 COMMITTEE.—Section 1103(a)(4) of Financial Institu-
7 tions Reform, Recovery, and Enforcement Act of 1989 (12
8 U.S.C. 3332(a)(4)) is amended by inserting “in detail the
9 activities of the Appraisal Subcommittee and” after
10 “which describes”.

11 (b) OPEN MEETINGS.—Section 1104(b) of the Fi-
12 nancial Institutions Reform, Recovery, and Enforcement
13 Act of 1989 (12 U.S.C. 3333(b)) is amended by inserting
14 “in public session after notice to the general public” after
15 “shall meet”.

16 (c) REGULATIONS.—Section 1106 of the Financial
17 Institutions Reform, Recovery, and Enforcement Act of
18 1989 (12 U.S.C. 3335) is amended by inserting “prescribe
19 regulations after notice and opportunity for comment,”
20 after “hold hearings”.

21 (d) CRITERIA.—Section 1116 of the Financial Insti-
22 tutions Reform, Recovery, and Enforcement Act of 1989
23 (12 U.S.C. 3345) is amended—

24 (1) in subsection (c), by inserting “whose cri-
25 teria for the licensing of a real estate appraiser cur-
26 rently meet or exceed the minimum criteria issued

1 by the Appraiser Qualifications Board of The Ap-
2 praiser Foundation for the licensing of real estate
3 appraisers” before the period at the end; and

4 (2) by striking subsection (e).

5 (e) TEMPORARY PRACTICE.—Section 1122(a)(1) of
6 the Financial Institutions Reform, Recovery, and Enforce-
7 ment Act of 1989 (12 U.S.C. 3351(a)(1)) is amended—

8 (1) by striking subparagraph (A);

9 (2) by redesignating subparagraphs (B) and
10 (C) as subparagraphs (A) and (B), respectively; and

11 (3) by moving the left margin of such subpara-
12 graphs 2 ems to the right.

13 (f) RECIPROCITY.—Subsection (b) of section 1122 of
14 the Financial Institutions Reform, Recovery, and Enforce-
15 ment Act of 1989 (12 U.S.C. 3351(b)) is amended to read
16 as follows:

17 “(b) RECIPROCITY.—A State appraiser certifying or
18 licensing agency shall issue a reciprocal certification or li-
19 cense for an individual from another State when—

20 “(1) the appraiser licensing and certification
21 program of such other State is in compliance with
22 the provisions of this title; and

23 “(2) the appraiser holds a valid certification
24 from a State whose requirements for certification or
25 licensing meet the requirements for certification and

1 licensing as established by the Appraiser Qualifica-
2 tions Board of The Appraisal Foundation.”.

3 (g) CONSIDERATION OF PROFESSIONAL APPRAISAL
4 DESIGNATIONS.—Section 1122(d) of the Financial Insti-
5 tutions Reform, Recovery, and Enforcement Act of 1989
6 (12 U.S.C. 3351(d)) is amended by adding at the end the
7 following new sentence: “Consideration may be given for
8 professional appraisal designations conferred by spon-
9 soring organizations of The Appraisal Foundation as an
10 indication of proficiency in addition to the criteria estab-
11 lished by certification or licensing.”.

12 (h) APPRAISER INDEPENDENCE.—Section 1122 of
13 the Financial Institutions Reform, Recovery, and Enforce-
14 ment Act of 1989 (12 U.S.C. 3351) is amended by adding
15 at the end the following new subsection:

16 “(g) APPRAISER INDEPENDENCE.—

17 “(1) IN GENERAL.—No mortgage lender, mort-
18 gage broker or mortgage banker, real estate broker,
19 nor any other person with an interest in a real es-
20 tate transaction involving an appraisal shall improper-
21 ly influence or attempt to improperly influence,
22 through coercion, extortion, or bribery, the develop-
23 ment, reporting, result, or review of a real estate ap-
24 praisal sought in connection with a mortgage loan.

1 “(2) EXCEPTIONS.—The requirements of para-
2 graph (1) shall not be construed as prohibiting a
3 mortgage lender, mortgage broker, mortgage banker,
4 real estate broker, or any other person with an inter-
5 est in a real estate transaction from asking an ap-
6 praiser to provide 1 or more of the following serv-
7 ices:

8 “(A) Consider additional, appropriate
9 property information.

10 “(B) Provide further detail, substantiation,
11 or explanation for the appraiser’s value conclu-
12 sion.

13 “(C) Correct errors in the appraisal re-
14 port.”.

15 (i) APPRAISER EDUCATION.—Section 1122 of the Fi-
16 nancial Institutions Reform, Recovery, and Enforcement
17 Act of 1989 (12 U.S.C. 3351) is amended by inserting
18 after subsection (g) (as added by subsection (h) of this
19 section) the following new subsection:

20 “(h) APPROVED EDUCATION.—A State certifying or
21 licensing agency shall accept courses and seminars ap-
22 proved by the Appraiser Qualification Board’s Course Ap-
23 proval Program.”.

1 **SEC. 603. STUDY REQUIRED ON IMPROVEMENTS IN AP-**
2 **PRAISAL PROCESS AND COMPLIANCE PRO-**
3 **GRAMS.**

4 (a) **STUDY.**—The Comptroller General shall conduct
5 a comprehensive study on possible improvements in the
6 appraisal process generally, and specifically on the consist-
7 ency in and the effectiveness of, and possible improve-
8 ments in, State compliance efforts and programs in ac-
9 cordance with title XI of Financial Institutions Reform,
10 Recovery, and Enforcement Act of 1989.

11 (b) **REPORT.**—Before the end of the 18-month period
12 beginning on the date of the enactment of this Act, the
13 Comptroller General shall submit a report on the study
14 under subsection (a) to the Committee on Financial Serv-
15 ices of the House of Representatives and the Committee
16 on Banking, Housing, and Urban Affairs of the Senate,
17 together with such recommendations for administrative or
18 legislative action, at the Federal or State level, as the
19 Comptroller General may determine to be appropriate.

20 **TITLE VII—INCENTIVES FOR**
21 **BEST PRACTICES**

22 **SEC. 701. CRA CREDIT FOR CERTAIN LENDER PRACTICES.**

23 Section 804 of the Community Reinvestment Act of
24 1977 (12 U.S.C. 2903) is amended by adding at the end
25 the following new subsection:

1 “(d) EFFORTS ON BEHALF OF SUBPRIME BOR-
2 ROWERS.—In assessing and taking into account, under
3 subsection (a), the record of a regulated financial institu-
4 tion, the appropriate Federal financial supervisory agency
5 may consider as a factor, in accordance with such guide-
6 lines as the agency may issue, any of the following pro-
7 grams undertaken by the institution:

8 “(1) A program to provide or support the provi-
9 sion of home ownership or credit counseling to low-
10 and moderate-income consumer borrowers through
11 programs reasonably available to the consumer that
12 have been certified or approved by the Secretary of
13 Housing and Urban Development for such purpose.

14 “(2) A program to provide or support the provi-
15 sion of foreclosure-prevention counseling and other
16 prevention efforts to low- and moderate-income con-
17 sumer borrowers through programs reasonably avail-
18 able to the consumer that have been certified or ap-
19 proved by the Secretary of Housing and Urban De-
20 velopment for such purpose.

21 “(3) A program to transition low- and mod-
22 erate-income consumer borrowers from higher-cost
23 mortgage loans to lower-cost mortgage loans.”.

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