110TH CONGRESS 2D SESSION

H.R. 5818

AN ACT

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

- 1 Be it enacted by the Senate and House of Representa-
- ${\it 2\ tives\ of\ the\ United\ States\ of\ America\ in\ Congress\ assembled},$

1 SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

- 2 (a) SHORT TITLE.—This Act may be cited as the
- 3 "Neighborhood Stabilization Act of 2008".
- 4 (b) Table of Contents.—The table of contents for
- 5 this Act is as follows:
 - Sec. 1. Short title and table of contents.
 - Sec. 2. Congressional purposes.
 - Sec. 3. Loans and grants to States, metropolitan cities, and urban counties.
 - Sec. 4. Qualified plans.
 - Sec. 5. Allocation of amounts.
 - Sec. 6. Loans.
 - Sec. 7. Grants.
 - Sec. 8. Eligible housing stimulus activities.
 - Sec. 9. Shared appreciation agreement.
 - Sec. 10. Spending requirements.
 - Sec. 11. Servicer contact.
 - Sec. 12. Accountability.
 - Sec. 13. Definitions.
 - Sec. 14. Funding.
 - Sec. 15. Protection of right to bear arms.
 - Sec. 16. Ineligiblity of illegal aliens for assistance.
 - Sec. 17. Regulations and implementation.

6 SEC. 2. CONGRESSIONAL PURPOSES.

- 7 The purposes of this Act are—
- 8 (1) to establish a loan and grant program ad-
- 9 ministered by the Department of Housing and
- 10 Urban Development to help States, metropolitan cit-
- ies, and urban counties preserve the equity and en-
- sure the safety of the neighbors of homes made va-
- cant by the predatory lending and foreclosure crises,
- to prevent and reduce the incidence of such vacan-
- cies through various means, including purchasing
- and rehabilitating owner-vacated, foreclosed homes
- with the goal of stabilizing and occupying them as

- 1 soon as possible, either through resale or rental to 2 qualified families;
 - (2) to distribute these loans and grants to areas with the highest levels of foreclosure and delinquent subprime mortgages, and largest increases in the rate of vacant and abandoned single family homes;
 - (3) to provide incentives for States, metropolitan cities, and urban counties to use the funds to stabilize as many properties as possible; and
- 10 (4) to provide housing for low- and moderate-11 income families, especially those that have lost 12 homes to foreclosure.

13 SEC. 3. LOANS AND GRANTS TO STATES, METROPOLITAN 14

CITIES, AND URBAN COUNTIES.

15 The Secretary of Housing and Urban Development shall, subject to the availability of amounts under section 16 17 14, make grants under section 5(a) to qualified States and 18 under subsections (f) and (g) of section 5 to qualified met-19 ropolitan cities and qualified urban counties, respectively, 20 and make loans under section 6 in accordance with the 21 approved plans of qualified States, qualified metropolitan 22 cities, and qualified urban counties, for use to carry out 23 eligible housing stimulus activities under section 8. The

program under this Act shall be administered through the

Office of Community Planning and Development of the

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- 1 Department of Housing and Urban Development or any
- 2 successor office responsible for administering the commu-
- 3 nity development block grant program under title I of the
- 4 Housing and Community Development Act of 1974 (42
- 5 U.S.C. 5301 et seq.).

6 SEC. 4. QUALIFIED PLANS.

- 7 (a) In General.—The Secretary may make a grant
- 8 under this Act only to a State, metropolitan city, or urban
- 9 county, and may allocate a loan authority amount under
- 10 this Act only for a State, metropolitan city, or urban coun-
- 11 ty, that has submitted to the Secretary a plan that meets
- 12 the requirements under this section and has been approved
- 13 under this section.
- 14 (b) CONTENTS.—A plan under this section for an al-
- 15 location recipient shall—
- 16 (1) designate a housing finance agency of the
- 17 allocation recipient, or other agency, department, or
- entity of the allocation recipient, or any other des-
- ignee, as the allocation recipient administrator to act
- on behalf of the allocation recipient for purposes of
- 21 this Act;
- 22 (2) describe the housing stimulus activities
- under section 8 to be carried out with assistance
- under this Act for the allocation recipient by the en-

tity identified pursuant to paragraph (1) of this subsection;

- (3) prioritize the allocation of funds to low- and moderate-income neighborhoods with high concentrations of vacancies, according to the number of census tracts, as determined by the Secretary, to have large increases in the rate of vacancy during the past eight quarters and significant levels of loans determined to be at risk of foreclosure, and describe how such activities will help restore or improve the viability of such neighborhoods by providing for purchase or occupancy of qualified foreclosed properties as soon as practicable and in a manner that will facilitate repayment of the loans provided under this Act for carrying out such activities;
- (4) set forth the procedures that the allocation recipient will use to allocate grant and loan amounts and monitor for compliance with the requirements of section 8;
- (5) provide that grant and loan amounts provided under this Act for the allocation recipient will be used only for eligible housing stimulus activities under section 8 that are eligible under such section for assistance with grant or loan amounts, as applicable;

- 1 (6) contain such assurances as the Secretary
 2 shall require that the housing stimulus activities to
 3 be carried out with assistance under this Act shall
 4 not result in a significant net loss in rental housing
 5 in an area in which such activities are undertaken;
 6 (7) give priority emphasis and consideration to
 - (7) give priority emphasis and consideration to metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, census tracts and other areas having the greatest need, including those—
 - (A) with the greatest percentage of home foreclosures;
 - (B) with the highest percentage of homes financed by subprime mortgage loans over 90 days delinquent; or
 - (C) identified by the State, qualified metropolitan city, or unit of general local government as likely to face a significant rise in the rate of home foreclosures;
 - (8) notwithstanding any other preferences established or authorized under this subsection, provide first priority, in use of amounts from grants or loans under this Act for rehabilitating housing, for providing housing for veterans, members of the Armed Forces on active duty, members of the Na-

- tional Guard or Armed Forces reserves, school
 teachers, and emergency responders;
- (9) provide preference for activities that serve the lowest income families, who otherwise meet the income requirements under section 8, for the longest period and homeowners, who otherwise meet such income requirements, whose mortgages have been foreclosed;
 - (10) provide preference for use of grant and loan amounts in connection with acquisition of qualified foreclosed properties that are acquired no earlier than 60 days after the owner of the property described in section 13(7)(B) acquired such ownership;
 - (11) describe any other preferences the allocation recipient may establish, such as housing for first responders, for veterans, for nurses serving underserved areas or homeless persons, or for homeless persons in accordance with the 10-year plan of the State to end homelessness, or providing housing for public school teachers or workforce who are employed by the city or locality in which the housing is located;
 - (12) provide for obligation and outlay of grant amounts, and for loan commitments and disburse-

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- 1 ment, in accordance with the requirements under 2 section 10; and
- 13) in the case of any grant or loan amounts
 that will be invested with the possibility of a return
 on investment, provide for use of any return on such
 investment only for one or more eligible housing
 stimulus activities under section 8.

(c) Submission.—

- (1) In General.—The Secretary shall provide for allocation recipients to submit plans under this section to the Secretary and shall establish requirements for the contents and form of such plans. Except in the case of plan resubmitted pursuant to subsection (d)(3), the Secretary may not accept or consider a plan unless the plan is submitted to the Secretary before the expiration of the 30-day period beginning upon the date of the enactment of this Act.
- (2) PUBLIC APPROVAL.—An allocation recipient may not submit a plan to the Secretary unless the plan is approved by the chief executive officer of the allocation recipient after a public hearing on the plan held pursuant to reasonable public notice.
- 24 (d) REVIEW AND APPROVAL.—

- approve or disapprove, each plan submitted or resubmitted pursuant to paragraph (3) in compliance with the requirements established under this section before the expiration of the 30-day period beginning upon the submission of the plan. If the Secretary does not approve or disapprove a plan that is submitted or resubmitted in accordance with the requirements under this section before the expiration of such 30-day period and notify the allocation recipient of such approval or disapproval, the plan shall be considered approved for purposes of this section.
 - (2) STANDARD FOR DISAPPROVAL.—The Secretary may disapprove a plan only if the plan fails to comply with the requirements of this Act.
 - (3) Resubmission.—If the Secretary disapproves the plan of an allocation recipient, the Secretary shall submit to the allocation recipient the reasons for the disapproval, and the allocation recipient may, during the 15-day period that begins upon notification of such disapproval and the reasons for such disapproval, submit to the Secretary a revised plan for review and approval in accordance with this subsection.

1 SEC. 5. ALLOCATION OF AMOUNTS.

2	(a) Grants.—From the total amount made available
3	under section 14(a) for grants under this Act, the Sec-
4	retary shall make a grant to each qualified State in the
5	grant amount determined under subsection (c) of this sec-
6	tion for the qualified State.
7	(b) Loans.—From the aggregate amount of author-
8	ity for the outstanding principal balance of loans made
9	under this Act pursuant to section 14(b)(1), the Secretary
10	shall allocate such authority for loans under this Act for
11	each qualified State in the loan authority amount deter-
12	mined under subsection (c) of this section for the qualified
13	State.
14	(e) Grant Amounts and Loan Authority
15	Amounts.—
16	(1) In general.—The grant amount or loan
17	authority amount for a qualified State shall be the
18	foreclosure grant share or foreclosure loan share, re-
19	spectively, for the State determined under subsection
20	(d), as such share is adjusted in accordance with an
21	index established or selected by the Secretary to ac-
22	count for differences between qualified States in the
23	median price of single family housing in such States.
24	(2) Limitation on adjustment.—If such ad-
25	justment would result in a grant amount or loan au-
26	thority amount for any State that exceeds 125 per-

cent of the foreclosure grant share or foreclosure loan share, respectively, for the State, the grant amount or loan authority amount for the State shall be 125 percent of foreclosure grant share or foreclosure loan share, respectively, for the State and the Secretary shall increase the grant amounts or loan authority amounts for all other States on a prorata basis, except as provided in paragraph (3), by the amount necessary to account for the aggregate of any such decreases in grant amounts or loan authority amounts for States to comply with the 125 percent limitation.

- (3) LIMITATION ON REALLOCATION.—No increase in the grant amount or loan authority amount for any State from amounts reallocated pursuant to paragraph (2) shall result in the grant amount or loan authority amount for any State exceeding 125 percent of the foreclosure grant share or foreclosure loan share for the State, respectively.
- (4) PRIORITY PREFERENCE FOR UNUSED AMOUNTS.—States which have their grant or loan amounts reduced under paragraph (2) shall be granted a priority preference for any loans or grants which may be reallocated under subsection (i) (relating to reallocation of funds).

- 1 (d) Foreclosure Shares.—For purposes of this 2 section:
 - share for a qualified State shall be the amount that bears the same ratio to the total amount made available under section 14(a) as the number of fore-closures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in all qualified States during such calendar quarters.
 - (2) Loan share.—The foreclosure loan share for a qualified State shall be the amount that bears the same ratio to the aggregate amount of the principal balance of loans that may be outstanding at any time under this Act pursuant to section 14(b)(1) as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which

- 1 such information is available, as determined by the
- 2 Secretary, bears to the aggregate number of such
- 3 foreclosures and such delinquent subprime mortgage
- 4 loans occurring in all qualified States during such
- 5 calendar quarters.
- 6 (e) DISTRIBUTION OF FULL AMOUNT.—The Sec-
- 7 retary shall establish the index referred to in subsection
- 8 (c) and the grant and loan authority amounts for the
- 9 qualified States in a manner that provides that—
- 10 (1) the aggregate of the grant amounts for all
- 11 qualified States is equal to the total amount made
- available under section 14(a); and
- 13 (2) the aggregate of the loan authority amounts
- for all qualified States is equal to the aggregate
- amount of authority for the outstanding principal
- balance of all loans made under this Act pursuant
- to section 14(b)(1).
- 18 (f) Requirement To Allocate to Qualified
- 19 Metropolitan Cities.—Of any grant amounts and loan
- 20 authority amounts allocated pursuant to this section for
- 21 a State, the Secretary shall allocate for each qualified met-
- 22 ropolitan city located in such State a portion of such grant
- 23 amounts and such loan authority amounts that bears the
- 24 same ratio to such grant amounts and loan authority
- 25 amounts, respectively, allocated for the State as the num-

- 1 ber of foreclosures on mortgages for single family housing
- 2 and subprime mortgage loans for single family housing
- 3 that are over 90 days delinquent, occurring in such quali-
- 4 fied metropolitan city during the most recently completed
- 5 four calendar quarters for which such information is avail-
- 6 able, as determined by the Secretary, bears to the aggre-
- 7 gate number of such foreclosures and such delinquent
- 8 subprime mortgage loans occurring in the State during
- 9 such calendar quarters. The Secretary shall adjust such
- 10 allocation to account for differences between median single
- 11 family housing prices in the State and in qualified metro-
- 12 politan cities in the State.
- 13 (g) REQUIREMENT TO ALLOCATE TO QUALIFIED
- 14 Urban Counties.—Of any grant amounts and loan au-
- 15 thority amounts allocated pursuant to this section for a
- 16 State, such State shall allocate for each qualified urban
- 17 county located in such State a portion of such grant
- 18 amounts and such loan authority amounts that bears the
- 19 same ratio to such grant amounts and loan authority
- 20 amounts, respectively, allocated for the State as the num-
- 21 ber of foreclosures on mortgages for single family housing
- 22 and subprime mortgage loans for single family housing
- 23 that are over 90 days delinquent, occurring in such quali-
- 24 fied urban county during the most recently completed four
- 25 calendar quarters for which such information is available,

- 1 as determined by the Secretary, bears to the aggregate
- 2 number of such foreclosures and such delinquent subprime
- 3 mortgage loans occurring in the State during such cal-
- 4 endar quarters. The Secretary shall adjust such allocation
- 5 to account for differences between median single family
- 6 housing prices in the State and in qualified urban counties
- 7 in the State.
- 8 (h) Allocation Exception.—If the aggregate
- 9 grant and loan authority amount to be allocated pursuant
- 10 to subsection (f) or (g) to a qualified metropolitan city
- 11 or qualified urban county is less than \$10,000,000, the
- 12 Secretary may, but is not required to, allocate such grant
- 13 and loan authority amount to such qualified metropolitan
- 14 city or qualified urban county, and the allocation for such
- 15 State shall be increased by the grant and loan authority
- 16 amount not allocated to such qualified metropolitan city
- 17 or qualified urban county.
- 18 (i) Reallocation of Unused Amounts.—The
- 19 Secretary shall recapture any grant amounts and loan au-
- 20 thority amounts allocated to a State that are not used in
- 21 a timely fashion in accordance with section 10, as the Sec-
- 22 retary shall prescribe, and shall reallocate such amounts
- 23 among all other qualified States in accordance with the
- 24 provisions of this Act for allocation of grant amounts and
- 25 loan authority amounts.

1 SEC. 6. LOANS.

2	(a) REQUIREMENT OF LOAN AUTHORITY AMOUNT.—
3	The Secretary may make a loan under this Act for use
4	in the area of an allocation recipient only to the extent
5	and in such amounts that loan authority amounts for such
6	allocation recipient are available.
7	(b) REVOLVING AVAILABILITY OF LOAN AUTHORITY
8	AMOUNT.—The loan authority amount allocated for each
9	allocation recipient shall—
10	(1) upon the Secretary entering into a binding
11	commitment to make a loan under this Act for use
12	in the area of such allocation recipient, be decreased
13	by the amount of the principal obligation of such
14	loan; and
15	(2) upon the repayment to the Secretary by any
16	borrower of any principal amounts borrowed under
17	a loan this Act for use in the area of such allocation
18	recipient, be increased by the amount of principal re-
19	paid.
20	(c) Assisted Entities.—The loan authority amount
21	of an allocation recipient may be used for activities de-
22	scribed in section 8(a) undertaken by—
23	(1) the allocation recipient;
24	(2) a unit of local government or a local govern-
25	mental entity; or

1	(3) any other entity, as provided in the ap-
2	proved plan of the allocation recipient under section
3	4.
4	(d) Loan Terms.—Each loan provided under this
5	Act from the loan authority amount of an allocation recipi-
6	ent shall—
7	(1) bear no interest;
8	(2) have a term to maturity of—
9	(A) 3 years, in the case of any loan made
10	to purchase or finance the purchase of qualified
11	foreclosed housing for use under section 8(a)(1)
12	for homeownership; and
13	(B) 5 years, in the case of any loan made
14	to purchase or finance the purchase of qualified
15	foreclosed housing for use under section 8(a)(2)
16	for rental;
17	(3) not provide for amortization of the principal
18	obligation of the loan during such term;
19	(4) be non-recourse;
20	(5) require payment of the original principal ob-
21	ligation under the loan only upon the expiration of
22	the term of the loan; and
23	(6) have such other terms and conditions as the
24	Secretary may provide.

- 1 (e) PROCEDURE.—A qualified State, a qualified met-2 ropolitan city, and a qualified urban county shall—
- 3 (1) enter into a loan agreement on behalf of the 4 Secretary on terms established under this Act and 5 any other terms such State, qualified metropolitan 6 city, or qualified urban county determines appro-7 priate;
- 8 (2) disburse the loan amount in accordance 9 with such terms, subject only to the absence of suffi-10 cient loan authority amount for such State, such 11 qualified metropolitan city, or such qualified urban 12 county;
- 13 (3) monitor such loans; and
- (4) collect and transmit to the Secretary anyloan repayments.
- (f) ELIGIBILITY FOR REPEAT LENDING.—A loan under this Act may be made to an entity that has pretiously borrowed amounts under a loan under this Act only if such entity has repaid 90 percent or more of the amounts due under all previous such loans. The Secretary
- 21 may waive such requirement upon a request by an alloca-
- 22 tion recipient if the borrower has demonstrated satisfac-
- 23 tory progress in utilizing outstanding loans and sufficient
- 24 capacity to utilize additional loan amounts effectively.

- 1 (g) SUNSET.—The Secretary may not enter into any
- 2 commitment to make a loan under this Act, or make any
- 3 such loan, after the expiration of the 48-month period be-
- 4 ginning on the date of the enactment of this Act.

5 **SEC. 7. GRANTS.**

- 6 The grant amount of an allocation recipient may be
- 7 used under section 8(b) by the allocation recipient, a unit
- 8 of local government or a local governmental entity, or a
- 9 nonprofit organization.

10 SEC. 8. ELIGIBLE HOUSING STIMULUS ACTIVITIES.

- 11 (a) LOAN AMOUNTS.—Amounts provided under a
- 12 loan under this Act for an allocation recipient shall be
- 13 used, in accordance with the approved plan of such alloca-
- 14 tion recipient, only for the following activities:
- 15 (1) Homeownership housing provision.—
- 16 To purchase or finance the purchase of qualified
- foreclosed housing for resale as housing for home-
- ownership to families having incomes that do not ex-
- 19 ceed 140 percent of the median income for the area
- in which the housing is located.
- 21 (2) Rental Housing Provision.—To pur-
- chase or finance the purchase of qualified foreclosed
- housing for use as rental, lease-purchase, or rent-to-
- own housing, subject to the following requirements:

- (A) QUALIFIED TENANTS.—All dwelling units in the housing purchased or financed using any loan amounts shall be available for rental only by families whose incomes do not exceed 100 percent of the median income for the area in which the housing is located.
 - (B) Rents.—Rents for each dwelling unit in the housing purchased or financed using any loan amounts shall be established at amounts that do not exceed market rents for comparable dwelling units located in the area in which the housing is located and in accordance with such requirements as the Secretary shall establish to ensure that rents are established in a fair, objective, and arms-length manner.
 - (3) Housing rehabilitation.—To rehabilitate qualified foreclosed housing acquired with assistance provided pursuant to this subsection, to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, or to make improvements to the housing to increase the energy efficiency or conservation of the housing or provide a renewable energy source or sources for the housing, for the purpose of reselling the housing, to the ex-

- 1 tent possible, during the 3-month period that begins
- 2 upon completion of rehabilitation and at a price that
- 3 is as close as possible to the acquisition price of the
- 4 housing.
- 5 (b) Grant Amounts.—Grant amounts provided
- 6 under this Act to an allocation recipient shall be used, in
- 7 accordance with the approved plan of such allocation re-
- 8 cipient, only for the following activities:
- 9 (1) Operating and holding costs.—For
- 10 costs of holding and operating qualified foreclosed
- 11 housing acquired pursuant to subsection (a), includ-
- ing expenses incurred operating housing assisted
- under this Act with respect to the administration,
- maintenance, repair, security, utilities, fuel, fur-
- 15 nishings, equipment, management, taxes, handling,
- insurance, and other related costs.
- 17 (2) Costs relating to property acquisi-
- 18 TION.—For incidental costs involved in acquiring
- 19 qualified foreclosed housing pursuant to subsection
- 20 (a), including reasonable closing costs, except that
- 21 grant amounts may not be used to pay any portion
- of the purchase price for the housing under section
- 23 13(7)(C).
- 24 (3) Administrative costs.—For costs of the
- 25 allocation recipient in administering loan authority

- amounts and grant amounts under this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this paragraph shall not exceed the amount equal to 8 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the allocation recipient pursuant to subsection (b), (f), or (g) of section 5, as applicable.
 - (4) Planning costs.—For planning costs of the State in connection with this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this paragraph shall not exceed the amount equal to 2 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the State pursuant to subsection (b), (f), or (g) of section 5, as applicable.
 - (5) Housing rehabilitation.—For activities set forth in subsection (a)(3), except that an allocation recipient shall not use more than 20 percent of a grant amount allocation for such activities.

(6) Demolition.—For costs of demolishing 1 2 qualified foreclosed housing that is deteriorated or 3 unsafe, but amounts may be used under this paragraph only if the Secretary determines that the 5 neighborhood or other area in which the housing is 6 located has a high incidence of vacant and aban-7 doned housing (or other vacant and abandoned 8 structures) and is experiencing a significant decline 9 in population. Notwithstanding any other provision of this subsection, 10 grant amounts provided under this Act may not be used 11 to provide assistance of any kind (including grants, loans, and closing cost financing) to provide amounts for downpayments for any homebuyers of single family hous-14 15 ing. 16 (c) Prohibited Uses.—The Secretary shall, by regulation, set forth prohibited uses of grant or loan amounts 18 under this Act, which shall include use for— 19 (1) political activities; 20 (2) advocacy; 21 (3) lobbying, whether directly or through other 22 parties; 23 (4) counseling services; 24 (5) travel expenses; and

1	(6) preparing or providing advice on tax re-
2	turns.
3	(d) Income Targeting Requirement.—
4	(1) VERY LOW-INCOME FAMILIES.—Not less
5	than 50 percent of the total grant amounts an allo-
6	cation recipient makes available under this Act shall
7	be used for activities under subsection (b) in connec-
8	tion with providing housing for families whose in-
9	comes do not exceed 50 percent of the median in-
10	come for the area in which the housing is located
11	(2) Extremely low-income families.—Not
12	less than 50 percent of the total grant amounts an
13	allocation recipient makes available under paragraph
14	(1) shall be used for activities under subsection (b)
15	in connection with providing housing for families
16	whose incomes do not exceed 30 percent of the me-
17	dian income for the area in which the housing is lo-
18	cated.
19	(3) Waiver.—
20	(A) IN GENERAL.—The Secretary may es-
21	tablish a percentage for purposes of paragraph
22	(2) that is less than 50 percent if an allocation
23	recipient cortifies that in addition to any other

requirements the Secretary may establish—

- 1 (i) such allocation recipient has at2 tempted to use all other federally related
 3 resources available to it in combination
 4 with the resources available under this Act
 5 to meet the requirements of paragraph (2);
 6 and
 - (ii) the failure to comply with paragraph (2) will not result in an overall loss of housing affordable to families whose incomes do not exceed 30 percent of area median income in the area of such allocation recipient.
 - (B) Consideration of Housing Needs.—In establishing an alternative percentage for purposes of paragraph (2) for an allocation recipient that meets the certification requirements of subparagraph (A), the Secretary shall take into consideration the housing needs in the area of such allocation recipient of families whose incomes do not exceed 30 percent of area median income.
- (e) USE FOR RURAL AREAS.—An allocation recipient receiving any grant or loan amounts under this Act that includes any rural areas shall use a portion of its grant and loan authority amount for eligible activities located

- 1 in rural areas that is proportionate to the identified need
- 2 for such activities in such rural areas.
- 3 (f) Security.—A qualified State, or at its election,
- 4 a qualified metropolitan city or qualified urban county,
- 5 shall record a lien in the name of the Secretary on any
- 6 qualified foreclosed housing purchased or financed with a
- 7 loan under this section in the amount of the principal obli-
- 8 gation under the loan and interest due under the loan.
- 9 (g) QUALIFIED HOMEOWNERS.—This Act may not be
- 10 construed to prevent the resale of qualified foreclosed
- 11 housing to a prior owner or occupant of such housing who
- 12 meets the income requirements of this Act.

13 (h) Voucher Nondiscrimination.—

- 14 (1) Prospective tenants.—A recipient of 15 amounts from a loan or grant under this Act may 16 not refuse to lease a dwelling unit in housing as-17 sisted with any such loan or grant amounts to a 18 holder of a voucher or certificate of eligibility under 19 section 8 of the United States Housing Act of 1937 20 (42 U.S.C. 1437f) because of the status of the pro-21 spective tenant as such a holder.
 - (2) CURRENT TENANTS.—In the case of any qualified foreclosed housing for which funds made available under the Act are used and in which a recipient of assistance under section 8(o) of the U.S.

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1	Housing Act of 1937 resides at the time of acquisi-
2	tion or financing, the owner and any successor in in-
3	terest shall be subject to the lease and to the hous-
4	ing assistance payments contract for the occupied
5	unit. Vacating the property prior to sale shall not
6	constitute good cause for termination of the tenancy
7	unless the property is unmarketable while occupied
8	or unless the owner or subsequent purchaser desires
9	the unit for personal or family use. This paragraph
10	shall not preempt any State or local law that pro-
11	vides more protection for tenants.
12	(i) Effect of Foreclosure on Preexisting
13	Lease.—
13 14	Lease.— (1) In general.—In the case of any fore-
14	(1) In general.—In the case of any fore-
14 15	(1) In General.—In the case of any fore- closure on any dwelling or residential real property
141516	(1) In general.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under
14151617	(1) In General.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property
14 15 16 17 18	(1) In General.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant to the foreclosure shall assume such inter-
141516171819	(1) In General.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant to the foreclosure shall assume such inter- est subject to—
14 15 16 17 18 19 20	(1) In General.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant to the foreclosure shall assume such inter- est subject to— (A) the provision, by the successor in inter-
14 15 16 17 18 19 20 21	(1) In General.—In the case of any fore- closure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant to the foreclosure shall assume such inter- est subject to— (A) the provision, by the successor in inter- est, of a notice to vacate to any bona fide ten-

of the date of such notice of foreclosure—

1	(i) under any bona fide lease entered
2	into before the notice of foreclosure to oc-
3	cupy the premises until the end of the re-
4	maining term of the lease or the end of the
5	6-month period beginning on the date of
6	the notice of foreclosure, whichever occurs
7	first, subject to the receipt by the tenant
8	of the 90-day notice under subparagraph
9	(A); or
10	(ii) without a lease or with a lease ter-
11	minable at will under State law, subject to
12	the receipt by the tenant of the 90-day no-
13	tice under subparagraph (A), except that
14	nothing under this subparagraph shall af-
15	fect the requirements for termination of
16	any federally subsidized tenancy.
17	(2) Bona fide lease or tenancy.—For pur-
18	poses of this subsection, a lease or tenancy shall be
19	considered bona fide only if—
20	(A) the mortgagor under the contract is
21	not the tenant;
22	(B) the lease or tenancy was the result of
23	an arms-length transaction; or

- 1 (C) the lease or tenancy requires the re-2 ceipt of rent that is not substantially less than
- 3 fair market rent for the property.
- 4 (j) Prohibition of Demolition of Public Hous-
- 5 ING.—Notwithstanding any other provision of this Act,
- 6 amounts from a grant or loan under this Act may not be
- 7 used to demolish any public housing (as such term is de-
- 8 fined in section 3 of the United States Housing Act of
- 9 1937 (42 U.S.C. 1437a)).

10 SEC. 9. SHARED APPRECIATION AGREEMENT.

- Notwithstanding any other provision of this Act, no
- 12 amounts from a loan or grant under this Act may be used
- 13 under section 8 for any qualified foreclosed housing unless
- 14 such binding agreements are entered into, in accordance
- 15 with such requirements as the Secretary shall establish,
- 16 that ensure that the Federal Government shall, upon any
- 17 sale or disposition of the qualified foreclosed housing by
- 18 the owner who acquires the housing pursuant to assistance
- 19 under this Act, receive an amount equal to 20 percent of
- 20 the difference between the net proceeds from such sale or
- 21 disposition and the cost of such acquisition of the housing
- 22 pursuant to assistance under this Act, after deductions for
- 23 expenditures paid or incurred after the date of such acqui-
- 24 sition that are properly chargeable to capital account
- 25 (within the meaning of section 1016 of the Internal Rev-

- 1 enue Code of 1986) with respect to such housing. In the
- 2 case of a for-profit owner, this section shall be applied by
- 3 substituting "50 percent" for "20 percent".

4 SEC. 10. SPENDING REQUIREMENTS.

- 5 (a) IN GENERAL.—Each allocation recipient that re-
- 6 ceives a grant under this Act or is allocated loan authority
- 7 amounts under this Act pursuant to section 5(b) shall—
- 8 (1) commence obligation of such grant amounts
- 9 and commitment of such loan authority amounts not
- later than the expiration of the 120-day period that
- begins upon approval of the approved plan of alloca-
- tion recipient;
- 13 (2) obligate all such grant amounts and enter
- into commitments for all such loan authority
- amounts not later than the expiration of the 180-day
- period beginning upon such approval; and
- 17 (3) except as provided in subsection (b) of this
- section, outlay all such grant amounts and disburse
- all such loan authority amounts not later than the
- 20 24-month period that begins upon such approval.
- 21 This subsection shall not apply to loan authority amounts
- 22 of an allocation recipient attributable, pursuant to section
- 23 6(b)(2), to repayment of principal amounts of loans under
- 24 this Act.

- 1 (b) Exception to Spending Requirement.—If an
- 2 allocation recipient in good faith makes a request, in the
- 3 plan submitted to the Secretary pursuant to section 4 or
- 4 otherwise after approval of such plan, for extension of the
- 5 period referred to in paragraph (1), (2), or (3) of sub-
- 6 section (a) of this section, the Secretary may extend the
- 7 period for not more than 5 months.

8 SEC. 11. SERVICER CONTACT.

- 9 The servicer of a federally related mortgage loan (as
- 10 such term is defined in section 3 of the Real Estate Settle-
- 11 ment Procedures Act of 1974 (12 U.S.C. 2602)) shall no-
- 12 tify the unit of general local government in which the
- 13 property securing the mortgage is located upon becoming
- 14 responsible for a qualified foreclosed property and provide
- 15 such unit of general local government with the name and
- 16 24-hour contact information of a representative authorized
- 17 to negotiate purchases.

18 SEC. 12. ACCOUNTABILITY.

- 19 (a) REPORTING.—Each allocation recipient that re-
- 20 ceives a grant or allocation of loan authority amount
- 21 under this Act shall submit a report to the Secretary, not
- 22 later than the expiration of the 12-month period beginning
- 23 upon the approval of the qualified plan by the Secretary,
- 24 regarding use of such amounts which shall contain such
- 25 information, including information about the location and

- 1 type of assisted properties and the income of families pur-
- 2 chasing or renting housing assisted under this Act, as the
- 3 Secretary shall require.
- 4 (b) Misuse of Amounts.—If the Secretary deter-
- 5 mines that any amounts from a grant or loan under this
- 6 Act for an allocation recipient or other recipient of grant
- 7 or loans funds has been used in a manner that is in viola-
- 8 tion of this Act, any regulations issued under this Act,
- 9 or any requirements or conditions under which such
- 10 amounts were provided, the Secretary shall require the al-
- 11 location recipient or other recipient of grant or loans funds
- 12 to reimburse the Treasury of the United States in the
- 13 amount of any such misused funds.
- 14 (c) Hold Harmless.—Notwithstanding subsection
- 15 (b), a State shall not be required to reimburse the Treas-
- 16 ury of the United States for any misused funds such State
- 17 is required to allocate to a qualified metropolitan city or
- 18 qualified urban county under subsection (f) or (g) of sec-
- 19 tion 5, respectively.
- 20 SEC. 13. DEFINITIONS.
- 21 For purposes of this Act, the following definitions
- 22 shall apply:
- 23 (1) Allocation recipient.—The term "allo-
- 24 cation recipient" means—
- 25 (A) a qualified State;

1	(B) a qualified metropolitan city; and
2	(C) a qualified urban county.
3	(2) Allocation recipient administrator.—
4	The term "allocation recipient administrator" means
5	the entity that is designated, pursuant to section
6	4(b)(1), in the approved plan of the allocation recipi-
7	ent to act for the allocation recipient for purposes of
8	this Act.
9	(3) APPROVED PLAN.—The term "approved
10	plan" means a plan of an allocation recipient that
11	has been approved pursuant to section 4.
12	(4) COVERED MULTIFAMILY HOUSING.—The
13	term "covered multifamily housing" means a resi-
14	dential structure that consists of 64 or fewer dwell-
15	ing units.
16	(5) Loan authority amount.—The term
17	"loan authority amount" means, with respect to an
18	allocation recipient, the amount of loan authority
19	available pursuant to section 14(b)(1) that is allo-
20	cated for the allocation recipient pursuant to sub-
21	section (b), (f), or (g) of section 5, as applicable, as
22	such amount may be increased or decreased pursu-
23	ant to section 6(b).
24	(6) Nonprofit organization.—The term
25	"nonprofit organization" has the meaning given

1	such term in section 104 of the Cranston-Gonzalez
2	National Affordable Housing Act (42 U.S.C.
3	12704).
4	(7) QUALIFIED FORECLOSED HOUSING.—The
5	term "qualified foreclosed housing" means housing
6	that—
7	(A)(i) is single family housing that is not
8	occupied by an owner, pursuant to foreclosure
9	or assignment of the mortgage on the housing
10	or forfeiture of the housing; or
11	(ii) is covered multifamily housing;
12	(B) is owned by a lender, mortgage com-
13	pany, investor, financial institution, or other
14	such entity, or any government entity, pursuant
15	to foreclosure or assignment of the mortgage on
16	the housing or forfeiture of the housing; and
17	(C) has a purchase price—
18	(i) in the case of single family hous-
19	ing, that does not exceed the lesser of—
20	(I) 110 percent of the average
21	purchase price for single family hous-
22	ing in the area in which the housing
23	is located, as determined by the Sec-
24	retary; or

1	(II) the current appraised value
2	of the property;
3	except that in the case of any such housing
4	that has an appraised value that is less
5	than 110 percent of the average purchase
6	price for single family housing in the area
7	in which the housing is located, an alloca-
8	tion recipient may appeal such appraisal to
9	the Secretary and the Secretary may deter-
10	mine that the average purchase price shall
11	operate as the cap on the purchase price;
12	and
13	(ii) in the case of covered multifamily
14	housing, that does not exceed the dollar
15	amount limitation, for housing of the ap-
16	plicable size located in the area in which
17	the housing is located, on the amount of a
18	principal obligation of a mortgage eligible
19	for insurance under section 207 of the Na-
20	tional Housing Act (12 U.S.C. 1713), as in
21	effect on the date of the enactment of this
22	Act pursuant to such section 207(c)(3)(A)
23	and section 206A of such Act (12 U.S.C.
24	1712a).

1	(8) QUALIFIED METROPOLITAN CITY.—The
2	term "qualified metropolitan city" means an incor-
3	porated place, for which there is an improved plan,
4	that—
5	(A) is among the 100 most populous incor-
6	porated places in the United States, as deter-
7	mined according to data from the most recent
8	decennial census that is published before the
9	date of the enactment of this Act; or
10	(B)(i) has a minimum population of
11	50,000, as determined according to data from
12	the most recent decennial census that is pub-
13	lished before the date of the enactment of this
14	Act; and
15	(ii) has a foreclosure rate that exceeds 125
16	percent of the foreclosure rate for the entire
17	State.
18	(9) QUALIFIED STATE.—The term "qualified
19	State" means a State for which there is an approved
20	plan.
21	(10) QUALIFIED URBAN COUNTY.—The term
22	"qualified urban county" means an urban county (as
23	such term is defined in section 102 of the Housing
24	and Community Development Act of 1974 (42

U.S.C. 5302)), for which there is an approved plan,

1 that is among the 50 most populous urban counties 2 in the United States, as determined— 3 (A) according to data from the most recent 4 decennial census; and (B) excluding the population of any quali-6 fied metropolitan city within such urban county, 7 unless such metropolitan city has agreed to 8 have its population included with the population 9 of the county for the purposes of this Act. SECRETARY.—The 10 (11)term "Secretary" 11 means the Secretary of Housing and Urban Develop-12 ment. 13 SINGLE FAMILY HOUSING.—The term "single family housing" means a residential struc-14 15 ture consisting of from one to four dwelling units. (13) STATE.—The term "State" means any 16 17 State of the United States, the District of Columbia, 18 the Commonwealth of Puerto Rico, the Common-19 wealth of the Northern Mariana Islands, Guam, the 20 Virgin Islands, American Samoa, and other territory 21 or possession of the United States. 22 SEC. 14. FUNDING. 23 (a) Grants.—There is authorized to be appropriated to the Secretary of the Treasury \$7,500,000,000 for 25 grants under this Act.

(b) DIRECT LOANS.—

- (1) Loan commitment authority limitation.—Subject only to the availability of sufficient amounts for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans and the absence of qualified requests for loans, the Secretary shall enter into commitments to make loans under this Act, and shall make such loans, in an amount such that the aggregate outstanding principal balance of such loans does not at any time exceed \$7,500,000,000.
- 13 (2) AUTHORIZATION OF APPROPRIATIONS FOR
 14 COSTS.—There is authorized to be appropriated such
 15 sums as may be necessary for costs (as such term
 16 is defined in section 502 of the Federal Credit Re17 form Act of 1990 (2 U.S.C. 661a)) of loans under
 18 this Act.

19 SEC. 15. PROTECTION OF RIGHT TO BEAR ARMS.

- Nothing in this Act shall affect the right to bear arms
- 21 under the Second Amendment to the Constitution of the
- 22 United States.

1 SEC. 16. INELIGIBLITY OF ILLEGAL ALIENS FOR ASSIST-

- ANCE.
- 3 Aliens who are not lawfully present in the United
- 4 States shall be ineligible for financial assistance under this
- 5 Act, as provided and defined by section 214 of the Hous-
- 6 ing and Community Development Act of 1980 (42 U.S.C.
- 7 1436a). Nothing in this Act shall be construed to alter
- 8 the restrictions or definitions in such section 214.
- 9 SEC. 17. REGULATIONS AND IMPLEMENTATION.
- 10 (a) Regulations.—The Secretary shall issue any
- 11 regulations necessary to carry out this Act.
- 12 (b) IMPLEMENTATION.—Pending the effectiveness of
- 13 regulations issued pursuant to subsection (a), the Sec-
- 14 retary shall take such action as may be necessary to imple-
- 15 ment this Act by notice, guidance, and interim rules.

Passed the House of Representatives May 8, 2008. Attest:

Clerk.

110TH CONGRESS H. R. 5818

AN ACT

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.