I

110TH CONGRESS
2D SESSION

H. R. 5830

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 2008

Mr. FRANK of Massachusetts (for himself, Ms. WATERS, Mrs. MALONEY of New York, Mr. WATT, Mr. ACKERMAN, Mr. MEEKS of New York, Mr. CLAY, Mr. LYNCH, Mr. AL GREEN of Texas, Ms. MOORE of Wisconsin, Mr. LINCOLN DAVIS of Tennessee, Mr. HODES, Mr. WILSON of Ohio, Mr. PERLMUTTER, Mr. MURPHY of Connecticut, Mr. DONNELLY, Mr. WEXLER, Mr. SHAYS, Ms. GINNY BROWN-WAITE of Florida, Mr. DINGELL, Ms. SCHAKOWSKY, Mr. LEVIN, Mr. HINCHEY, Mr. FATTAH, Mr. JACKSON of Illinois, Mrs. CHRISTENSEN, Ms. LEE, Mr. WU, Ms. MCCOLLUM of Minnesota, Mr. VAN HOLLEN, Mr. BUTTERFIELD, Mr. COURTNEY, Mr. SESTAK, Mr. SIRES, and Ms. TSONGAS) introduced the following bill; which was referred to the Committee on Financial Services

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A BILL

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘FHA Housing Stabilization and Homeownership Retention Act of 2008’’.

SEC. 2. PURPOSES.

The purposes of this Act are—

(1) to create an FHA program, which is voluntary on the part of borrowers and existing mortgage loan holders, to insure refinance loans for substantial numbers of borrowers at risk of foreclosure, at levels which are reasonably likely to be sustainable through enhanced affordability of debt service;

(2) to provide flexible underwriting for FHA-insured loans under such a program to provide refinancing opportunities under fiscally responsible terms, including higher fees commensurate with higher risk levels, a seasoning requirement for higher debt to income loans, and additional program controls to limit and control risk;

(3) to bar speculators and second home owners from participation in such program;

(4) to require existing mortgage loan holders to take substantial loan writedowns in exchange for having the Federal Government and the borrower assume the ongoing risk of the refinanced loan;

(5) to set a loan-to-value limit on such loans that provides the FHA with an equity buffer against

potential loan losses, provides protections against the risk of future home price declines, and creates incentives for borrowers to maintain payments on the loan;

(6) to protect the FHA against losses which may exceed normal FHA loss levels by establishing higher fee levels, including an exit fee and profit sharing during the first five years of the loan, with such higher fee levels effectively being funded through the required lender writedown;

(7) to provide a fair level of incentives for junior lien holders to provide the necessary releases of their lien interests, in order to meet program requirements that all outstanding liens must be extinguished, and thereby permit the refinancing to be completed;

(8) to enhance the administrative capacity of the FHA to carry out its expanded role under the program through establishment of an Oversight Board which adds expertise from the Federal Reserve and the Department of the Treasury, through additional funding to contract out for the provision of any needed expertise in designing program requirements and oversight, and through additional funding to increase FHA personnel resources as

needed to handle the increased loan volume resulting from the program;

(9) to sunset the program when it is no longer needed; and

(10) to study the need for and efficacy of an auction or bulk refinancing mechanism to facilitate more expeditious refinancing of larger volumes of existing mortgages that are at risk for foreclosure into FHA-insured mortgages.

SEC. 3. INSURANCE OF HOMEOWNERSHIP RETENTION MORTGAGES.

(a) MORTGAGE INSURANCE PROGRAM.—Title II of the National Housing Act (12 U.S.C. 1707 et seq.) is amended by adding at the end the following new section:

"SEC. 257. INSURANCE OF HOMEOWNERSHIP RETENTION MORTGAGES.

''(a) OVERSIGHT BOARD.—

''(1) ESTABLISHMENT.—There is hereby established the Refinance Program Oversight Board (in this section referred to as the 'Oversight Board').

''(2) MEMBERSHIP.—The Oversight Board shall consist of the following members or their designees:

''(A) The Secretary of the Treasury.

''(B) The Secretary of Housing and Urban Development.

“(C) The Chairman of the Board of Governors of the Federal Reserve System.

“(3) NO ADDITIONAL COMPENSATION.—Members of the Oversight Board shall receive no additional pay by reason of service on the Oversight Board.

“(4) RESPONSIBILITIES.—The Oversight Board shall be responsible for establishing program and oversight requirements for the program under this section, which shall include—

“(A) detailed program requirements under subsection (c);

“(B) flexible underwriting criteria under subsection (d);

“(C) a mortgage premium structure under subsection (e);

“(D) a reasonable fee and rate limitation under subsection (f);

“(E) enhancement of FHA capacity under subsection (h), including oversight of such activities and personnel as may be contracted for as provided therein;

“(F) monitoring of underwriting risk under subsection (i); and

"(G) such additional requirements as may be necessary and appropriate to oversee and implement the program.

"(5) USE OF RESOURCES.—In carrying out its functions under this section, the Oversight Board may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Department of the Treasury, the Department of Housing and Urban Development, the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, and other Federal agencies, with or without reimbursement therefore.

"(b) AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall, subject only to the absence of qualified requests for insurance under this section and to the limitations under subsection (g) of this section and section 531(a), make commitments to insure and insure any mortgage covering a 1- to 4-family residence that is made for the purpose of paying or prepaying outstanding obligations under an existing mortgage or mortgages on the residence if the mortgage being insured under this section meets the requirements of this section, as established by the Oversight Board, and of section 203, except as modified by this section.

"(2) ESTABLISHMENT AND IMPLEMENTATION OF PROGRAM REQUIREMENTS.—The Oversight Board shall establish program requirements and standards under this section and the Secretary shall implement such requirements and standards. The Oversight Board and the Secretary may establish and implement any requirements or standards through interim guidance and mortgagee letters.

"(c) REQUIREMENTS.—To be eligible for insurance under this section, a mortgage shall comply with all of the following requirements:

"(1) OWNER-OCCUPIED PRINCIPAL RESIDENCE REQUIREMENT.—The residence to be covered by the mortgage insured under this section shall be occupied by the mortgagor as the principal residence of the mortgagor.

"(2) LACK OF CAPACITY TO PAY EXISTING MORTGAGE OR MORTGAGES.—

"(A) BORROWER CERTIFICATION.—The mortgagor shall provide a certification to the originator of the mortgage that the mortgagor has not intentionally defaulted on the existing mortgage or mortgages.

"(B) CURRENT BORROWER DEBT-TO-INCOME RATIO.—As of March 1, 2008, the mortgagor shall have had a ratio of mortgage debt to income, taking into consideration all existing mortgages at such time, greater than 35 percent, except that the Oversight Board may decrease such percentage for all mortgagors or identifiable classes of mortgagors if the Oversight Board considers such decrease necessary or appropriate to make eligible for the program those mortgagors who cannot reasonably afford their existing mortgage loan or loans but who would be able to afford the new mortgage under the program under this section.

"(C) LOSS MITIGATION RESPONSIBILITIES.—This section may not be construed to alter or in any way affect the responsibilities of any party (including the mortgage servicer) to engage in any or all loan modification or other loss mitigation strategies to maximize value to investors as established by any applicable contract.

"(3) ELIGIBILITY OF MORTGAGES BY DATE OF ORIGINATION.—The existing senior mortgage shall have been originated on or before December 31, 2007.

"(4) MAXIMUM LOAN-TO-VALUE RATIO FOR NEW LOANS.—The mortgage being insured under this section shall involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve and including the mortgage insurance premium paid pursuant to subsection (e)(1)) in an amount not to exceed 90 percent of the current appraised value of the property. Section 203(d) shall not apply to mortgages insured under this section.

"(5) REQUIRED WAIVER OF PREPAYMENT PENALTIES AND FEES.—All penalties for prepayment of the existing mortgage or mortgages, and all fees and penalties related to default or delinquency on all existing mortgages or mortgages, shall be waived or forgiven.

"(6) REQUIRED LOAN REDUCTION.—

"(A) REDUCTION OF INDEBTEDNESS UNDER EXISTING SENIOR MORTGAGE.—The amount of indebtedness on the existing mortgage or mortgages on the residence shall have been substantially reduced by such percentage as the Oversight Board or Secretary may require, and such reduction shall be at least sufficient to—

"(i) provide for the refinancing of such existing mortgage or mortgages in an amount not greater than 90 percent of the current appraised value of the property involved;

"(ii) pay the full amount of the single premium to be collected pursuant to subsection (e)(1) (which shall be an amount equal to 3.0 percent of the amount of the original insured principal obligation of the mortgage insured under this section and which shall serve as an additional reserve to cover possible loan losses); and

"(iii) pay the full amount of the loan origination fee and any other closing costs, not to exceed 2.0 percent of the amount of the original insured principal obligation of the mortgage insured under this section.

"(B) EXTINGUISHMENT OF DEBT BY REFINANCING.—

"(i) REQUIRED AGREEMENT.—All existing holders of mortgage liens on the property involved shall agree to accept the proceeds of the insured loan as payment in full of all indebtedness under all existing mortgages, and all encumbrances related to such mortgages shall be removed. The Oversight Board may take such actions as the Oversight Board considers necessary or appropriate to facilitate coordination and agreement between the holders of the existing senior mortgage and any existing subordinate mortgages, taking into consideration the subordinate lien status of such subordinate mortgages, to comply with the requirement under this subparagraph.

"(ii) TREATMENT OF MULTIPLE MORTGAGE LIENS.—In addition to clause (i), the Oversight Board shall adopt one of the following approaches for all mortgages or such classes of mortgages as the Oversight Board may determine and may, from time to time, reconsider:

"(I) FIXED PRICE.—As a requirement for participating in this program, all existing lien holders will agree to not provide any payment to subordinate lien holders other than such payment in accordance with a formula established by the Oversight Board as set forth in clause (iii); except that the Oversight Board may establish a short period within which first and subordinate lien holders may negotiate to extinguish all subordinate liens for compensation that may be different from the amount determined under such formula set forth in clause (iii).

"(II) SHARED EQUITY.—The Oversight Board may require the mortgagor under a mortgage insured under this section to agree to share a portion of any future equity in the mortgaged property with holders of existing subordinate mortgages, in accordance with a formula for such shared equity established by the Oversight Board as set forth in clause (iii), except that payments of such shared equity may be made only after the Secretary recovers all amounts owed to the Secretary with respect to such mortgage pursuant to the program under this section (including amounts owed pursuant to paragraph (8)).

"(iii) FORMULA.—In determining a formula for determining any payments to subordinate lien holders pursuant to subclauses (I) and (II) of clause (ii), and in any reconsideration of such formula as the Oversight Board may from time to time undertake, the Oversight Board shall take into consideration the current market value of such liens. In no case may a formula provide for the payment of more than 1 percent of the current appraised value of the mortgaged property to a subordinate lien holder if the outstanding balance owed to more senior lien holders is equal to or exceeds such current appraised value.

"(iv) VOLUNTARY PROGRAM.—This subparagraph may not be construed to require any holder of any existing mortgage to participate in the program under this section generally, or with respect to any particular loan.

"(v) SOURCE OF PAYMENTS FOR SUBORDINATE LOANS.—Any amounts paid to holders of any existing subordinate mortgages in connection with the origination and insurance of a mortgage under this section shall derive only from—

"(I) the holder of the existing senior mortgage; or

"(II) in the case only of the shared equity approach under clause (ii)(II), the mortgagor under the mortgage insured under this section

"(7) REQUIRED REDUCTION OF DEBT SERVICE.—The debt service payments due under the mortgage insured under this section shall be in an amount that is substantially reduced from the debt service payments due under the existing mortgage or mortgages, which reduction may be achieved through a reduction of indebtedness, a reduction in the interest rate being paid, or an extension of the term of the mortgage, or any combination thereof.

"(8) FINANCIAL RECOVERY TO FEDERAL GOVERNMENT THROUGH EXIT PREMIUM.—

"(A) SUBORDINATE LIEN.—The mortgage shall provide that the Secretary shall retain a lien on the residence involved, which shall be subordinate to the mortgage insured under this section but senior to all other mortgages on the residence that may exist at any time, and which shall secure the repayment of the amount due under subparagraph (D).

"(B) NO INTEREST OR PAYMENT DURING MORTGAGE.—The amount secured by the lien retained by the Secretary pursuant to subparagraph (A) shall not bear interest and shall not be repayable to the Secretary except as provided in subparagraph (D) of this paragraph.

"(C) NET PROCEEDS AVAILABLE FOR EXIT PREMIUM.—Upon the sale, refinancing, or other disposition of the residence covered by a mortgage insured under this section, any proceeds resulting from such disposition that remain after deducting the remaining insured principal balance of the mortgage insured under this section shall be available to meet the obligation under subparagraph (D).

"(D) EXIT PREMIUM.—Upon any refinancing of the mortgage insured under this section or any sale or disposition of the residence covered by the mortgage, the Secretary shall, subject to the availability of sufficient net proceeds described in subparagraph (C), receive the greater of—

"(i) 3 percent of the amount of the original insured principal obligation of the mortgage; or

"(ii) a percentage of the portion of the net proceeds described in subparagraph (C), which shall be—

"(I) in the case of any refinancing, sale, or disposition occurring during the first year of the term of the mortgage, 100 percent of such net proceeds;

"(II) in the case of any refinancing, sale, or disposition occurring during the second year of the term of the mortgage, 80 percent;

"(III) in the case of any refinancing, sale, or disposition occurring during the third year of the term of the mortgage, 60 percent;

"(IV) in the case of any refinancing, sale, or disposition occurring during the fourth year of the term of the mortgage, 40 percent;

"(V) in the case of any refinancing, sale, or disposition occurring during the fifth year of the term of the mortgage, 20 percent; and

"(VI) in the case of any refinancing, sale, or disposition occurring after the end of the fifth year, 0 percent.

"(E) AUTHORITY TO PROHIBIT NEW SECOND LIENS.—The Oversight Board may prohibit borrowers from granting a new second lien on the mortgaged property during the first five years of the term of the mortgage insured under this section, except as the Oversight Board determines to be necessary to ensure the appropriate maintenance of the mortgaged property.

"(9) DOCUMENTATION AND VERIFICATION OF INCOME.—In complying with the FHA underwriting requirements under the program under this section, the mortgagee under the mortgage shall document and verify the income of the mortgagor in accordance with procedures and standards that the Oversight Board or the Secretary shall establish.

"(10) FIXED RATE MORTGAGE.—The mortgage insured under this section shall bear interest at a single rate that is fixed for the entire term of the mortgage.

"(11) MAXIMUM LOAN AMOUNT.—Notwithstanding section 203(b)(2), the mortgage being insured under this section shall involve a principal obligation in an amount that does not exceed the limitation (for a property of the applicable size) on the amount of the principal obligation that would be allowable under the terms of section 202(a) of the Economic Stimulus Act of 2008 if the mortgage were insured pursuant to such section. The limitation on the amount of the principal obligation allowable under such Act shall apply for the purposes of this Act until the termination under subsection (m) of the program under this subsection.

"(d) FLEXIBLE UNDERWRITING CRITERIA.—The Oversight Board shall establish, and the Secretary acting on behalf of the Oversight Board shall implement, underwriting standards for mortgages insured under this section that—

"(1) ensure that each mortgagor under a mortgage insured under this section has a reasonable expectation of repaying the mortgage, taking into consideration the mortgagor's income, assets, liabilities, payment history, and other applicable criteria, but which shall not result in a denial of insurance solely on the basis of the mortgagor's current FICO or other credit scores, or any delinquency or default by the mortgagor under the existing mortgage or mortgages;

"(2) subject to the provisions of paragraph (1) and except as provided in paragraph (3), permit a total debt-to-income ratio of up to 43 percent;

"(3) subject to the provisions of paragraph (1), permit a total debt-to-income ratio of more than 43 percent, but not more than 50 percent, if the mortgagor has made, on a timely basis before the endorsement of the mortgage insured under this section, not less than six months of payments in an amount not less than the amount of the monthly payment due under the mortgage to be insured under this section; except that the Oversight Board may increase the maximum percentage under this paragraph for a class of borrowers, who will be subject to such additional requirements as the Oversight

Board shall establish, to not more than 55 percent upon making a finding that such increase is necessary to achieve the purposes of this section and can be accomplished under reasonable underwriting standards; and the holder of the existing senior mortgage shall exercise forbearance with respect to such mortgage during the period in which such payments are made; and

"(4) provide for the underwriter of the insured loan to provide such representations and warranties as the Oversight Board considers necessary or appropriate for the Secretary to enforce compliance with all underwriting and appraisal standards of the program.

"(e) PREMIUMS.—For each mortgage insured under this section, the Oversight Board shall establish and the Secretary shall collect—

"(1) at the time of insurance, a single premium payment in an amount equal to 3.0 percent of the amount of the original insured principal obligation of the mortgage, which shall be paid from the proceeds of the mortgage being insured under this section, through the reduction of the amount of indebtedness on the existing senior mortgage required under subsection (c)(6)(A);

"(2) in addition to the premium under paragraph (1), annual premium payments in an amount equal to 1.50 percent of the remaining insured principal balance of the mortgage; and

"(3) an exit premium in the amount determined under subsection (c)(8), but which shall not be less than 3.0 percent of the original insured principal obligation of the mortgage, subject only to the availability of sufficient net proceeds from sale, refinancing, or other disposition of the property, as determined in subsection (c)(8).

"(f) ORIGINATION FEES AND MORTGAGE RATE.—The Oversight Board shall establish and the Secretary shall implement a reasonable limitation on origination fees for mortgages insured under this section and shall establish procedures to ensure that interest rates on such mortgages shall be commensurate with market rate interest rates on such types of loans.

"(g) LIMITATION ON AGGREGATE INSURANCE AUTHORITY.—The aggregate original principal obligation of all mortgages insured under this section may not exceed $300,000,000,000.

"(h) ENHANCEMENT OF FHA CAPACITY.—Under the direction of the Oversight Board, the Secretary shall take such actions as may be necessary to—

"(1) contract for the establishment of underwriting criteria, automated underwriting systems, pricing standards, and other factors relating to eligibility for mortgages insured under this section;

"(2) contract for independent quality reviews of underwriting, including appraisal reviews and fraud detection, of mortgages insured under this section or pools of such mortgages; and

"(3) increase personnel of the Department as necessary to process or monitor the processing of mortgages insured under this section.

"(i) MONITORING OF UNDERWRITING RISK.—

"(1) MONITORING OF DESIGNATED UNDERWRITERS.—The Oversight Board and the Secretary shall monitor independent quality reviews as established pursuant to subsection (h)(2) to—

"(A) determine compliance of designated underwriters with underwriting standards;

"(B) determine rates of delinquency, claims rates, and loss rates of designated underwriters; and

"(C) terminate eligibility of designated underwriters that do not meet minimum performance standards as the Oversight Board may establish and the Secretary implements.

"(2) REPORTS BY OVERSIGHT BOARD.—The Oversight Board shall submit monthly reports to the Congress identifying the progress of the program for mortgage insurance under this section, which shall contain the following information for each month:

"(A) The number of new mortgages insured under this section, including the location of the properties subject to such mortgages by census tract.

"(B) The aggregate principal obligation of new mortgages insured under this section.

"(C) The average amount by which the indebtedness on existing mortgages is reduced in accordance with subsection (c)(6).

"(D) The average amount by which the debt service payments on existing mortgages is reduced in accordance with subsection (c)(7).

"(E) The amount of premiums collected for insurance of mortgages under this section.

"(F) The claim and loss rates for mortgages insured under this section.

"(G) The race, ethnicity, gender, and income of the mortgagors, aggregated by geographical areas at least as specific as census tracts, except where necessary to protect privacy of the borrower.

"(H) Any other information that the Oversight Board considers appropriate.

"(3) REPORT BY INSPECTOR GENERAL.—The Inspector General of the Department of Housing and Urban Development shall conduct an annual audit of the program for mortgage insurance under this section to determine compliance with this section and program rules.

"(j) GNMA COMMITMENT AUTHORITY.—

"(1) GUARANTEES.—The Secretary shall take such actions as may be necessary to ensure that securities based on and backed by a trust or pool composed of mortgages insured under this section are available to be guaranteed by the Government National Mortgage Association as to the timely payment of principal and interest.

"(2) GUARANTEE AUTHORITY.—To carry out the purposes of section 306 of the National Housing Act (12 U.S.C. 1721), the Government National Mortgage Association may enter into new commitments to issue guarantees of securities based on or backed by mortgages insured under this section, not exceeding $300,000,000,000. The amount of authority provided under the preceding sentence to enter into new commitments to issue guarantees is in addition to any amount of authority to make new commitments to issue guarantees that is provided to the Association under any other provision of law.

"(k) SPECIAL RISK INSURANCE FUND.—The insurance of each mortgage under this section shall be the obligation of the Special Risk Insurance Fund established by section 238.

"(l) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

"(1) EXISTING MORTGAGE.—The term 'existing mortgage' means, with respect to a mortgage insured under this section, a mortgage that is to be extinguished, and paid or prepaid, from the proceeds of the mortgage insured under this section.

"(2) EXISTING SENIOR MORTGAGE.—The term 'existing senior mortgage' means, with respect to a mortgage insured under this section, the existing mortgage that has superior priority.

"(3) EXISTING SUBORDINATE MORTGAGE.—The term 'existing subordinate mortgage' means, with respect to a mortgage insured under this section, an existing mortgage that has subordinate priority to the existing senior mortgage.

"(m) SUNSET.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the authority of the Secretary to make any new commitment to insure any mortgage under this section shall terminate upon the expiration of the 2-year period beginning on the date of the enactment of the FHA Housing Stabilization and Homeownership Retention Act of 2008.

"(2) EXTENSIONS.—The Oversight Board may, not more than four times, extend the authority to enter into new commitments to insure mortgages under this section beyond the date specified in paragraph (1), except that each such extension shall—

"(A) be effective only if, before the program terminates pursuant to paragraph (1) or any previous extension pursuant to this paragraph, the Oversight Board—

"(i) certifies the need for such extension in writing to the Congress; and

"(ii) causes notice of such extension to be published in the Federal Register no later than the beginning of the 3-month period that ends upon the scheduled termination date of the program; and

"(B) be for a period of not more than 6 months.

"(n) AUTHORIZATIONS OF APPROPRIATIONS.—There is authorized to be appropriated for each of fiscal years 2008 and 2009—

"(1) $200,000,000 for providing counseling regarding loss mitigation for mortgagors with 1- to 4-family residences, including determining eligibility for the program under this section, with grants to be administered through the Neighborhood Reinvestment Corporation, except that—

"(A) not less than 15 percent of the funds made available pursuant to this paragraph shall be provided to counseling organizations that target counseling services regarding loss mitigation to minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners; and

"(B) $30,000,000 of the funds made available pursuant to this paragraph shall be used by the Neighborhood Reinvestment Corporation (referred to in this subparagraph as the 'NRC') to make grants to counseling intermediaries approved by the Department of Housing and

Urban Development or the NRC to hire attorneys to assist homeowners who have legal issues related to home ownership preservation, home foreclosure prevention, tenancy associated with home foreclosure, delinquency or short sale; such attorneys shall be capable of assisting homeowners of owner-occupied homes with mortgages in default, in danger of default, or subject to or at risk of foreclosure and who have legal issues that cannot be handled by counselors already employed by such intermediaries; of the amount provided under this subparagraph, the NRC shall give priority consideration to counseling intermediaries and legal organizations that (i) provide legal assistance in the 100 metropolitan statistical areas (as defined by the Director of the Office of Management and Budget) with the highest home foreclosure rates, and (ii) have the capacity to begin using the financial assistance within 90 days after receipt of the assistance; and

''(2) $150,000,000 for costs of activities under subsection (h).''.

(b) SPECIAL RISK INSURANCE FUND.—Section 238 of the National Housing Act (12 U.S.C. 1715z–3) is amended—

(1) in subsection (a)(1), by striking ''or 243'' each place such term appears and inserting ''243, or 257''; and

(2) in subsection (b), by striking ''and 243'' each place such term appears and inserting ''243, and 257''.

SEC. 4. STUDY OF AUCTION OR BULK REFINANCE PROGRAM.

(a) STUDY.—The Board of Governors of the Federal Reserve System (in this section referred to as the ''Board of Governors''), in consultation with other members of the Oversight Board established by section 257(a) of the National Housing Act (as added by the amendment made by section 3(a) of this Act), shall conduct a study of the need for and efficacy of an auction or bulk refinancing mechanism to facilitate refinancing of existing residential mortgages that are at risk for foreclosure into mortgages insured under the mortgage insurance program under title II of the National Housing Act. The study shall identify and examine various options for mechanisms under which lenders and servicers of such mortgages may make bids for forward commitments for such insurance in an expedited manner.

(b) CONTENT.—

(1) ANALYSIS.—The study required under subsection (a) shall analyze—

(A) the feasibility of establishing a mechanism that would facilitate the more rapid refinancing of borrowers at risk of foreclosure into performing mortgages insured under title II of the National Housing Act;

(B) whether such a mechanism would provide an effective and efficient mechanism to reduce foreclosures on qualified existing mortgages;

(C) whether the use of an auction or bulk refinance program is necessary to stabilize the housing market and reduce the impact of turmoil in that market on the economy of the United States;

(D) whether there are other mechanisms or authority that would be useful to reduce foreclosure; and

(E) and any other factors that the Board of Governors considers relevant.

(2) DETERMINATIONS.—To the extent that the Board of Governors finds that a facility of the type described in paragraph (1) is feasible and useful, the study shall—

(A) determine and identify any additional authority or resources needed to establish and operate such a mechanism;

(B) determine whether there is a need for additional authority with respect to the loan underwriting criteria included in the amendment made by section 3(a) of this Act or with respect to eligibility of participating borrowers, lenders, or holders of liens;

(C) determine whether such underwriting criteria should be established on the basis of individual loans, in the aggregate, or otherwise to facilitate the goal of refinancing borrowers at risk of foreclosure into viable loans insured under the National Housing Act.

(c) REPORT.—Not later than the expiration of the 60-day period beginning on the date of the enactment of this Act, the Board of Governors shall submit a report regarding the results of the study conducted under this section to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate. The report shall include a detailed description of the analysis required under subsection (b)(1) and of the determinations made pursuant to subsection (b)(2), and shall include any other findings and recommendations of the Board of Governors pursuant to the study, including identifying various options for mechanisms described in subsection (a).

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