

EXPANDING AMERICAN HOMEOWNERSHIP ACT OF 2007

JUNE 28, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FRANK of Massachusetts, from the Committee on Financial Services, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 1852]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1852) to modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Expanding American Homeownership Act of 2007”.

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

Sec. 1. Short title and table of contents.
Sec. 2. Findings and purposes.
Sec. 3. Maximum principal loan obligation.
Sec. 4. Extension of mortgage term.
Sec. 5. Downpayment simplification.
Sec. 6. Mortgage insurance premiums for zero- and lower-downpayment borrowers.
Sec. 7. Mortgage insurance premiums for standard and higher-risk borrowers.
Sec. 8. Risk-based mortgage insurance premiums.
Sec. 9. Payment incentives.
Sec. 10. Borrower protections for higher risk mortgages.
Sec. 11. Annual reports on new programs and loss mitigation.
Sec. 12. Insurance for single family homes with licensed child care facilities.
Sec. 13. Rehabilitation loans.
Sec. 14. Discretionary action.
Sec. 15. Insurance of condominiums and manufactured housing.
Sec. 16. Mutual Mortgage Insurance Fund.
Sec. 17. Hawaiian home lands and Indian reservations.
Sec. 18. Conforming and technical amendments.
Sec. 19. Home equity conversion mortgages.
Sec. 20. Participation of mortgage brokers and correspondent lenders.
Sec. 21. Conforming loan limit in disaster areas.
Sec. 22. Failure to pay amounts from escrow accounts for single family mortgages.
Sec. 23. Acceptable identification for FHA mortgagors.
Sec. 24. Pilot program for automated process for borrowers without sufficient credit history.
Sec. 25. Sense of Congress regarding technology for financial systems.
Sec. 26. Multifamily housing mortgage limits in high cost areas.
Sec. 27. Valuation of multifamily properties in noncompetitive sales by HUD to States and localities.
Sec. 28. Clarification of disposition of certain properties.
Sec. 29. Use of FHA savings for costs of mortgage insurance, housing counseling, FHA technologies, procedures, and processes, and for affordable housing grant fund, and study.
Sec. 30. Limitation on mortgage insurance premium increases.
Sec. 31. Savings provision.
Sec. 32. Implementation.

SEC. 2. FINDINGS AND PURPOSES.

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

(1) one of the primary missions of the Federal Housing Administration (FHA) single family mortgage insurance program is to reach borrowers who are underserved, or not served, by the existing conventional mortgage marketplace;

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

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

(4) the FHA mortgage insurance premium structure, as well as FHA’s product offerings, should be revised to reflect FHA’s enhanced ability to determine risk at the loan level and to allow FHA to better respond to changes in the mortgage market;

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

(6) as housing price appreciation slows and interest rates rise, many homeowners and prospective homebuyers will need the less-expensive, safer financing alternative that FHA mortgage insurance provides.

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

(1) to provide flexibility to FHA to allow for the insurance of housing loans for low- and moderate-income homebuyers during all economic cycles in the mortgage market;

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

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

SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.

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

- “(A) not to exceed the lesser of—
- “(i) in the case of a 1-family residence, the median 1-family house price in the area, as determined by the Secretary; and in the case of a 2-, 3-, or 4-family residence, the percentage of such median price that bears the same ratio to such median price as the dollar amount limitation in effect under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family residence, respectively, bears to the dollar amount limitation in effect under such section for a 1-family residence; or
 - “(ii) the dollar amount limitation determined under such section 305(a)(2) for a residence of the applicable size; except that the dollar amount limitation in effect for any area under this subparagraph may not be less than the greater of (I) the dollar amount limitation in effect under this section for the area on October 21, 1998, or (II) 65 percent of the dollar limitation determined under such section 305(a)(2) for a residence of the applicable size; and”.

SEC. 4. EXTENSION OF MORTGAGE TERM.

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

- (1) by striking “thirty-five years” and inserting “forty years”; and
- (2) by striking “(or thirty years if such mortgage is not approved for insurance prior to construction)”.

SEC. 5. DOWNPAYMENT SIMPLIFICATION.

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

- (1) in paragraph (2)—
 - (A) by striking subparagraph (B) and inserting the following new subparagraph:
 - “(B) not to exceed an amount equal to the sum of—
 - “(i) the amount of the mortgage premium paid at the time the mortgage is insured; and
 - “(ii)(I) except as provided in subclause (II), 97.75 percent of the appraised value of the property; or
 - “(II) in the case only of a mortgage described in subsection (c)(3), the appraised value of the property, plus any initial service charges, appraisal, inspection, and other fees in connection with the mortgage as approved by the Secretary.”;
 - (B) in the matter after and below subparagraph (B), by striking the second sentence (relating to a definition of “average closing cost”) and all that follows through “title 38, United States Code.”; and
 - (C) by striking the last undesignated paragraph (relating to counseling with respect to the responsibilities and financial management involved in homeownership); and
- (2) in paragraph (9), by striking the paragraph designation and all that follows through “*Provided further*, That for” and inserting the following:
 - “(9) Except in the case of a mortgage described in subsection (c)(3), be executed by a mortgagor who shall have paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary’s estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured). For”.

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

Section 203(c) of the National Housing Act (12 U.S.C. 1709(c)) is amended by adding at the end the following new paragraph:

- “(3) ZERO- AND LOWER-DOWNPAYMENT BORROWERS.—
- “(A) APPLICABILITY.—This paragraph shall apply to any mortgage that—
 - “(i) is secured by a 1- to 4-family dwelling;
 - “(ii)(I) is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section; or
 - “(II) is insured under subsection (k) of this section or section 234(c);
 - “(iii) is executed by a mortgagor who is a first-time homebuyer; and
 - “(iv)(I) involves a principal obligation that does not comply with subclause (I) of subsection (b)(2)(B)(ii) (relating to loan-to-value ratio); or
 - “(II) is executed by a mortgagor who has not paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary’s estimate

of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured).

“(B) UP-FRONT PREMIUMS.—The amount of any single premium payment collected at the time of insurance may not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.

“(C) ANNUAL PREMIUMS.—Except as provided in subparagraph (D), the amount of any annual premium payment collected may not exceed 0.75 percent of the remaining insured principal obligation of the mortgage.

“(D) ANNUAL REDETERMINATION OF PREMIUM RATE.—The Secretary shall re-determine the rates of premiums not less than once every 12 months.”.

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

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

(1) by striking the matter that precedes subparagraph (A) and inserting the following:

“(2) STANDARD-RISK MORTGAGES.—In the case of any mortgage that is secured by a 1- to 4-family dwelling, is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section or is insured under subsection (k) of this section or section 234(c), for which the mortgagor has paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary’s estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured), and that involves a principal obligation that complies with subclause (I) of subsection (b)(2)(B)(ii), the following requirements shall apply:”; and

(2) by adding at the end the following new subparagraph:

“(C) HIGHER-RISK BORROWERS.—The Secretary shall establish underwriting standards that provide for insurance under this section of mortgages described in the matter in this paragraph preceding subparagraph (A) for which the mortgagor has a credit score equivalent to a FICO score of less than 560, and may insure, and make commitments to insure, such mortgages. Such underwriting standards shall include establishing and collecting premium payments that comply with the requirements of this paragraph, except that notwithstanding subparagraph (A), the single premium payment collected at the time of insurance may be established in an amount that does not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.”.

SEC. 8. RISK-BASED MORTGAGE INSURANCE PREMIUMS.

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

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

“(A) IN GENERAL.—The Secretary may establish a mortgage insurance premium structure involving a single premium payment collected prior to the insurance of the mortgage or annual payments (which may be collected on a periodic basis), or both, subject to the requirements of subparagraph (B) and paragraph (5). Under such structure, the rate of premiums for such a mortgage may vary according to the credit risk associated with the mortgage and the rate of any annual premium for such a mortgage may vary during the mortgage term as long as the basis for determining the variable rate is established before the execution of the mortgage. The Secretary may change a premium structure established under this subclause but only to the extent that such change is not applied to any mortgage already executed.

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

“(C) ANNUAL REPORT REGARDING PREMIUMS.—The Secretary shall submit a report to the Congress annually setting forth the rate structures and rates established and altered pursuant to this paragraph during the preceding 12-month period and describing how such rates were determined.

“(5) CONSIDERATIONS FOR PREMIUM STRUCTURE.—When establishing premiums for mortgages referred to in paragraph (2)(C), establishing premiums pursuant to paragraph (3), establishing a premium structure under paragraph (4), and when changing such a premium structure, the Secretary shall consider the following:

“(A) The effect of the proposed premiums or structure on the Secretary’s ability to meet the operational goals of the Mutual Mortgage Insurance Fund as provided in section 202(a).

“(B) Underwriting variables.

“(C) The extent to which new pricing under the proposed premiums or structure has potential for acceptance in the private market.

“(D) The administrative capability of the Secretary to administer the proposed premiums or structure.

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

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

“(A) AUTHORITY.—In establishing premium rates under paragraphs (2), (3), and (4), the Secretary may provide for variations in such rates according to the credit risk associated with the type of mortgage product that is being insured under this title, which may include providing that premium rates differ between fixed-rate mortgages and adjustable-rate mortgages insured pursuant to section 251, between mortgages insured pursuant to section 203(b) and mortgages for condominiums insured pursuant to section 234, and between such other products as the Secretary considers appropriate.

“(B) LIMITATION.—Subparagraph (A) may not be construed to authorize the Secretary to establish, for any mortgage product, any mortgage insurance premium rate that does not comply with the requirements and limitations under paragraphs (2) through (5).”.

SEC. 9. PAYMENT INCENTIVES.

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

“(7) PAYMENT INCENTIVES.—

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

“(i) DISCRETIONARY 3-YEAR PAYMENT INCENTIVE.—The Secretary may provide, in the discretion of the Secretary, that the payment incentive under subparagraph (B) shall apply upon the expiration of the 3-year period beginning upon the time of insurance of such a mortgage.

“(ii) MANDATORY 5-YEAR PAYMENT INCENTIVE.—The Secretary shall provide that the payment incentive under subparagraph (B) applies upon the expiration of the 5-year period beginning upon the time of insurance of such a mortgage.

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

“(i) reduce the amount of the annual premium payments otherwise due thereafter under such mortgage—

“(I) in the case of a mortgage referred to in paragraph (3), to an amount that does not exceed the amount of the maximum annual premium allowable under paragraph (2)(B); and

“(II) in the case of a mortgage referred to in paragraph (2)(C), to an amount that does not exceed the amount of the annual premium payable at the time of insurance of the mortgage on a mortgage of the same product type having the same terms, but for which the mortgagor has a credit score equivalent to a FICO score of 560 or more; and

“(ii) in the case only of a mortgage referred to in paragraph (2)(C), refund to the mortgagor, upon payment in full of the obligation of the mortgage, any amount by which the single premium payment for such mortgage collected at the time of insurance exceeded the amount of the single premium payment chargeable under paragraph (2)(A) at the time of insurance for a mortgage of the same product type having the same terms, but for which the mortgagor has a credit score equivalent to a FICO score of 560 or more.”.

SEC. 10. BORROWER PROTECTIONS FOR HIGHER RISK MORTGAGES.

Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended by adding at the end the following new paragraph:

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

“(A) DISCLOSURES.—

“(i) REQUIRED DISCLOSURES.—In addition to any disclosures that are otherwise required by law or by the Secretary for single family mortgages, the mortgagee shall disclose to the mortgagor the following information:

“(I) AT APPLICATION.—At the time of application for the loan involved in the mortgage—

“(aa) a list of counseling agencies approved by the Secretary in the area of the applicant; and

“(bb) if the mortgagor is not provided counseling in accordance with subparagraph (B), the information required under subclauses (I), (II), and (III) of subparagraph (B)(iii) to be provided to the mortgagor.

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

“(aa) the terms of the mandatory 5-year payment incentive required under subsection (c)(7)(A)(ii); and

“(bb) a statement that the mortgagor has a right under contract to loss mitigation.

“(III) OTHER INFORMATION.—Any other additional information that the Secretary determines is appropriate to ensure that the mortgagor has received timely and accurate information about the program under paragraph (2)(C) or (3) of subsection (c), as applicable.

“(ii) PENALTIES FOR FAILURE TO PROVIDE REQUIRED DISCLOSURES.—

The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide any disclosure required under clause (i).

“(iii) NO PRIVATE RIGHT OF ACTION.—This subparagraph shall not create any private right of action on behalf of the mortgagor.

“(B) COUNSELING.—

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

“(ii) TERMS OF COUNSELING.—Counseling under this subparagraph shall be provided—

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

“(II) by a third party (other than the mortgagee) who is approved by the Secretary, with respect to the responsibilities and financial management involved in homeownership;

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

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

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

“(I) information regarding homeownership options other than a mortgage that is subject to this paragraph, other zero- or low-downpayment mortgage options that are or may become available to the mortgagor, the financial implications of entering into a mortgage (including a mortgage subject to this paragraph), and any other information that the Secretary may require;

“(II) a written disclosure that sets forth the amount and the percentage by which a property with a mortgage that is subject to this paragraph must appreciate for the mortgagor to recover the principal amount of the mortgage, the costs financed under the mortgage, and the estimated costs involved in selling the property, if the mortgagor were to sell the property on each of the second, fifth, and tenth anniversaries of the mortgage; and

“(III) a written disclosure, as the Secretary shall require, that specifies the effective cost to a mortgagor of borrowing the amount by which the maximum amount that could be borrowed under a mortgage that is referred to in subsection (c)(3) exceeds the maximum amount that could be borrowed under a mortgage insured under this subsection that is not a mortgage referred to in such subsection, based on average closing costs with respect to such amount, as determined by the Secretary; such cost shall be expressed as an annual interest rate over the first 5 years of a mortgage; the disclosure required under this subclause may be provided in conjunction with the notice required under subsection (f).

“(iv) 2- AND 3-FAMILY RESIDENCES.—In the case of a mortgage involving a 2- or 3-family residence, counseling under this subparagraph

shall include (in addition to the information required under clause (iii)) information regarding real estate property management.

“(C) NOTICE OF FORECLOSURE PREVENTION COUNSELING AVAILABILITY.—

“(i) **WRITTEN AGREEMENT.**—To be eligible for insurance under this subsection, the mortgagee shall provide the mortgagor, at the time of the execution of the mortgage, a written agreement which shall be signed by the mortgagor and under which the mortgagee shall provide notice described in clause (ii) to a housing counseling entity that has agreed to provide the notice and counseling required under clause (iii) and is approved by the Secretary.

“(ii) **NOTICE TO COUNSELING AGENCY.**—The notice described in this clause, with respect to a mortgage, is notice, provided at the earliest time practicable after the mortgagor becomes 60 days delinquent with respect to any payment due under the mortgage, that the mortgagor is so delinquent and of how to contact the mortgagor. Such notice may only be provided once with respect to each delinquency period for a mortgage.

“(iii) **NOTICE TO MORTGAGOR.**—Upon notice from a mortgagee that a mortgagor is 60 days delinquent with respect to payments due under the mortgage, the housing counseling entity shall at the earliest time practicable notify the mortgagor of such delinquency, that the entity makes available foreclosure prevention counseling that may assist the mortgagor in resolving the delinquency, and of how to contact the entity to arrange for such counseling.

“(iv) **ABILITY TO CURE.**—Failure to provide the written agreement required under clause (i) may be corrected by sending such agreement to the mortgagor not later than the earliest time practicable after the mortgagor first becomes 60 days delinquent with respect to payments due under the mortgage. Insurance provided under this subsection may not be terminated and penalties for such failure may not be prospectively or retroactively imposed if such failure is corrected in accordance with this clause.

“(v) **PENALTIES FOR FAILURE TO PROVIDE AGREEMENT.**—The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide the written agreement required under clause (i).

“(vi) **LIMITATION ON LIABILITY OF MORTGAGEE.**—A mortgagee shall not incur any liability or penalties for any failure of a housing counseling entity to provide notice under clause (iii).

“(vii) **NO PRIVATE RIGHT OF ACTION.**—This subparagraph shall not create any private right of action on behalf of the mortgagor.

“(viii) **DELINQUENCY PERIOD.**—For purposes of this subparagraph, the term ‘delinquency period’ means, with respect to a mortgage, a period that begins upon the mortgagor becoming delinquent with respect to payments due under the mortgage and ends upon the first subsequent occurrence of such payments under the mortgage becoming current or the property subject to the mortgage being foreclosed or otherwise disposed of.”.

SEC. 11. ANNUAL REPORTS ON NEW PROGRAMS AND LOSS MITIGATION.

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

“(C) The rates of default and foreclosure for the applicable collection period for mortgages insured pursuant to the programs for mortgage insurance under paragraphs (2)(C) and (3) of section 203(c).

“(D) Actions taken by the Secretary during the applicable collection period with respect to loss mitigation on mortgages insured pursuant to section 203.”.

SEC. 12. INSURANCE FOR SINGLE FAMILY HOMES WITH LICENSED CHILD CARE FACILITIES.

(a) **DEFINITION OF CHILD CARE FACILITY.**—Section 201 of the National Housing Act (12 U.S.C. 1707) is amended by adding at the end the following new subsection:

“(g) The term ‘child care facility’ means a facility that—

“(A) has as its purpose the care of children who are less than 12 years of age;

and

“(B) is licensed or regulated by the State in which it is located (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located).

Such term does not include facilities for school-age children primarily for use during normal school hours.”.

(b) INCREASE IN MAXIMUM MORTGAGE AMOUNT LIMITATION.—Paragraph (2) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(2)), as amended by the preceding provisions of this Act, is further amended by adding at end the following new undesignated paragraph:

“Notwithstanding any other provision of this paragraph, the amount that may be insured under this section may be increased by up to 25 percent if such increase is necessary to account for the increased cost of the residence due to an increased need of space in the residence for locating and operating a child care facility (as such term is defined in section 201) within the residence, but only if a valid license or certificate of compliance with regulations described in section 201(g)(2) has been issued for such facility as of the date of the execution of the mortgage, and only if such increase in the amount insured is proportional to the amount of space of such residence that will be used for such facility.”.

SEC. 13. REHABILITATION LOANS.

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

- (1) in paragraph (1), by striking “on” and all that follows through “1978”; and
- (2) in paragraph (5)—
 - (A) by striking “General Insurance Fund” the first place it appears and inserting “Mutual Mortgage Insurance Fund”; and
 - (B) in the second sentence, by striking the comma and all that follows through “General Insurance Fund”.

SEC. 14. DISCRETIONARY ACTION.

The National Housing Act is amended—

- (1) in subsection (e) of section 202 (12 U.S.C. 1708(e))—
 - (A) in paragraph (3)(B), by striking “section 202(e) of the National Housing Act” and inserting “this subsection”; and
 - (B) by redesignating such subsection as subsection (f);
- (2) by striking paragraph (4) of section 203(s) (12 U.S.C. 1709(s)(4)) and inserting the following new paragraph:
 - “(4) the Secretary of Agriculture;”;
- (3) by transferring subsection (s) of section 203 (as amended by paragraph (2) of this section) to section 202, inserting such subsection after subsection (d) of section 202, and redesignating such subsection as subsection (e).

SEC. 15. INSURANCE OF CONDOMINIUMS AND MANUFACTURED HOUSING.

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

- (1) in subsection (c)—
 - (A) in the first sentence—
 - (i) by striking “and” before “(2)”; and
 - (ii) by inserting before the period at the end the following: “, and (3) the project has a blanket mortgage insured by the Secretary under subsection (d)”;
 - (B) in clause (B) of the third sentence, by striking “thirty-five years” and inserting “forty years”; and
- (2) in subsection (g), by striking “, except that” and all that follows and inserting a period.

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

- (1) before “a first mortgage” insert “(A)”;
- (2) by striking “or on a leasehold (1)” and inserting “(B) a first mortgage on a leasehold on real estate (i)”;
- (3) by striking “or (2)” and inserting “, or (ii)”;
- (4) by inserting before the semicolon the following: “, or (C) a first mortgage given to secure the unpaid purchase price of a fee interest in, or long-term leasehold interest in, real estate consisting of a one-family unit in a multifamily project, including a project in which the dwelling units are attached, or are manufactured housing units, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project”.

(c) DEFINITION OF REAL ESTATE.—Section 201 of the National Housing Act (12 U.S.C. 1707), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new subsection:

“(h) The term ‘real estate’ means land and all natural resources and structures permanently affixed to the land, including residential buildings and stationary manufactured housing. The Secretary may not require, for treatment of any land or other property as real estate for purposes of this title, that such land or property be treated as real estate for purposes of State taxation.”.

SEC. 16. MUTUAL MORTGAGE INSURANCE FUND.

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

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

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

“(2) **LIMIT ON LOAN GUARANTEES.**—The authority of the Secretary to enter into commitments to guarantee such insured mortgages shall be effective for any fiscal year only to the extent that the aggregate original principal loan amount under such mortgages, any part of which is guaranteed, does not exceed the amount specified in appropriations Acts for such fiscal year.

“(3) **FIDUCIARY RESPONSIBILITY.**—The Secretary has a responsibility to ensure that the Mutual Mortgage Insurance Fund remains financially sound.

“(4) **ANNUAL INDEPENDENT ACTUARIAL STUDY.**—The Secretary shall provide for an independent actuarial study of the Fund to be conducted annually, which shall analyze the financial position of the Fund. The Secretary shall submit a report annually to the Congress describing the results of such study and assessing the financial status of the Fund. The report shall recommend adjustments to underwriting standards, program participation, or premiums, if necessary, to ensure that the Fund remains financially sound.

“(5) **QUARTERLY REPORTS.**—During each fiscal year, the Secretary shall submit a report to the Congress for each quarter, which shall specify for mortgages that are obligations of the Fund—

“(A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;

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

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

“(D) projected versus actual loss rates; and

“(E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

The first quarterly report under this paragraph shall be submitted on the last day of the first quarter of fiscal year 2008, or upon the expiration of the 90-day period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, whichever is later.

“(6) **ADJUSTMENT OF PREMIUMS.**—If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

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

“(A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

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

“(C) to curtail the impact of adverse selection on the Fund; and

“(D) to meet the housing needs of the borrowers that the single family mortgage insurance program under this title is designed to serve.”.

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

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

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

(B) by striking “General Insurance Fund” the first place such term appears and all that follows and inserting “Mutual Mortgage Insurance Fund.”.

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

(c) **CONFORMING AMENDMENTS.**—The National Housing Act is amended—

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

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

SEC. 17. HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.

(a) HAWAIIAN HOME LANDS.—Section 247(c) of the National Housing Act (12 U.S.C. 1715z–12) is amended—

(1) by striking “General Insurance Fund established in section 519” and inserting “Mutual Mortgage Insurance Fund”; and

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

(b) INDIAN RESERVATIONS.—Section 248(f) of the National Housing Act (12 U.S.C. 1715z–13) is amended—

(1) by striking “General Insurance Fund” the first place it appears and all that follows through “519” and inserting “Mutual Mortgage Insurance Fund”; and

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

SEC. 18. CONFORMING AND TECHNICAL AMENDMENTS.

(a) REPEALS.—The following provisions of the National Housing Act are repealed:

- (1) Subsection (i) of section 203 (12 U.S.C. 1709(i)).
- (2) Subsection (o) of section 203 (12 U.S.C. 1709(o)).
- (3) Subsection (p) of section 203 (12 U.S.C. 1709(p)).
- (4) Subsection (q) of section 203 (12 U.S.C. 1709(q)).
- (5) Section 222 (12 U.S.C. 1715m).
- (6) Section 237 (12 U.S.C. 1715z–2).
- (7) Section 245 (12 U.S.C. 1715z–10).

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

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

SEC. 19. HOME EQUITY CONVERSION MORTGAGES.

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

(1) in subsection (b)(2), insert “‘real estate,’” after “‘mortgagor,’”;

(2) in subsection (g)—

(A) by striking the first sentence; and

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

(3) in subsection (i)(1)(C), by striking “limitations” and inserting “limitation”; and

(4) by adding at the end the following new subsection:

“(o) AUTHORITY TO INSURE HOME PURCHASE MORTGAGE.—

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

“(2) LIMITATION ON PRINCIPAL OBLIGATION.—A home equity conversion mortgage insured pursuant to paragraph (1) shall involve a principal obligation that does not exceed the dollar amount limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size.”.

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

(1) in paragraph (4)—

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

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

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

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

(c) **LIMITATION ON ORIGATION FEES.**—Section 255 of the National Housing Act (12 U.S.C. 1715z–20), as amended by the preceding provisions of this section, is further amended—

(1) by redesignating subsections (k), (l), and (m) as subsections (l), (m), and (n), respectively; and

(2) by inserting after subsection (j) the following new subsection:

“(k) **LIMITATION ON ORIGATION FEES.**—The Secretary shall establish limits on the origination fee that may be charged to a mortgagor under a mortgage insured under this section, which limitations shall—

“(1) equal two percent of the original principal limit of the mortgage;

“(2) be subject to a minimum allowable amount;

“(3) provide that the origination fee may be fully financed with the mortgage; and

“(4) include any fees paid to correspondent mortgagees approved by the Secretary or to mortgage brokers.”.

(d) **STUDY REGARDING MORTGAGE INSURANCE PREMIUMS.**—The Secretary of Housing and Urban Development shall conduct a study regarding mortgage insurance premiums charged under the program under section 255 of the National Housing Act (12 U.S.C. 1715z–20) for insurance of home equity conversion mortgages to analyze and determine the effects of reducing the amounts of such premiums from the amounts charged as of the date of the enactment of this Act on (1) costs to mortgagors, and (2) the financial soundness of the program. Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress setting forth the results and conclusions of the study.

SEC. 20. PARTICIPATION OF MORTGAGE BROKERS AND CORRESPONDENT LENDERS.

(a) **IN GENERAL.**—

(1) **DEFINITIONS.**—

(A) **IN GENERAL.**—Section 201 of the National Housing Act (12 U.S.C. 1707), as amended by the preceding provisions of this Act, is further amended—

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

(ii) by striking subsection (b) and inserting the following:

“(2) The term ‘mortgagee’ means any of the following entities, and its successors and assigns, to the extent such entity is approved by the Secretary:

“(A) **QUALIFICATION BY AUDIT AND NET WORTH.**—A lender, or mortgage broker, or correspondent lender, who—

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

“(ii) submits to the Secretary such financial audits performed in accordance with the standards for financial audits of the Government Auditing Standards issued by the Comptroller General of the United States;

“(iii) meet the minimum net worth requirement that the Secretary shall establish; and

“(iv) complies with such other requirements as the Secretary may establish.

“(B) **QUALIFICATION OF CORRESPONDENT LENDERS BY SURETY BOND.**—Except as provided in subparagraph (D), a correspondent lender who—

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

“(ii) posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirement, in—

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

“(II) an amount of \$75,000, as such amount is adjusted annually by the Secretary (as determined under regulations of the Secretary) by the change for such year in the Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the Department of Labor; and

“(iii) complies with such other requirements as the Secretary may establish.

“(C) **QUALIFICATION OF BROKERS BY SURETY BOND.**—Except as provided in subparagraph (D), a mortgage broker who—

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

“(ii) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a mortgage broker in such State;

“(iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

“(iv) complies with such other requirements as the Secretary may establish.

“(D) CONDITIONS FOR CONTINUED APPLICABILITY.—(i) Subparagraphs (B) and (C) shall continue to apply after the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007 only if, after the expiration of the 4-year period beginning upon such date of enactment and taking into consideration the report submitted in accordance with section 19(b) of such Act, the Secretary—

“(I) makes a determination that such subparagraphs provide protection to mortgage insurance funds for mortgages insured under this title that are comparable to the protection provided by the requirements for mortgagees under this title as in effect immediately before the enactment of such Act; and

“(II) publishes in the Federal Register a notice of such determination and an order extending the applicability of such subparagraphs.

“(ii) If, taking into consideration such report, the Secretary makes a determination after the expiration of such 4-year period that subparagraphs (B) and (C) do not provide protection as referred to in clause (i) of this subparagraph, the Secretary may, by order published in the Federal Register, provide for the participation, after the expiration of the 5-year period referred to in clause (i), of correspondent lenders and mortgage brokers as mortgagees in the insurance programs under this title in accordance with subparagraphs (B) and (C) as modified by the Secretary as the Secretary considers appropriate to provide such protection.

“(E) ADDITIONAL MORTGAGE BROKER REQUIREMENTS.—

“(i) In addition to the requirements under subparagraphs (A) and (C) and to duties imposed under other statutes or common law, to be eligible as a mortgagee under this section, a broker shall—

“(I) safeguard and account for any money handled for the borrower;

“(II) follow reasonable and lawful instructions from the borrower; and

“(III) act with reasonable skill, care, and diligence.

“(ii) For purposes of this subparagraph, a loan correspondent shall be considered to be a mortgage broker.

“(iii) The duties and standards of care created in this subparagraph shall not be waived or modified.

“(iv) Any broker found by the Secretary to have violated the requirements of this subparagraph may not originate mortgage loans insured under this title.

“(3) The term ‘mortgagor’ includes the original borrower under a mortgage and the successors and assigns of the original borrower.”; and

(iii) by redesignating subsections (a), (c), (d), (e), (f), (g), and (h) as paragraphs (1), (4), (5), (6), (7), (8), and (9), respectively, and indenting such paragraphs two ems so as to align the left margins of such paragraphs with the left margins of paragraphs (2) and (3) (as added by clause (ii) of this subparagraph).

(B) MORTGAGEE REVIEW.—Section 202(c)(7) of the National Housing Act (12 U.S.C. 1708(c)(7)) is amended—

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

(ii) by striking subparagraph (B); and

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

(C) MULTIFAMILY RENTAL HOUSING INSURANCE.—Section 207(a)(2) of the National Housing Act (12 U.S.C. 1713(a)(2)) is amended by striking “means the original lender under a mortgage, and its successors and assigns, and” and inserting “has the meaning given such term in section 201, except that such term also”.

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

under a mortgage, and his successors and assigns approved by the Secretary” and inserting “has the meaning given such term in section 201”.

(E) ARMED SERVICES HOUSING MORTGAGE INSURANCE.—Section 801(b) of the National Housing Act (12 U.S.C. 1748(b)) is amended by striking “includes the original lender under a mortgage, and his successors and assigns approved by the Secretary” and inserting “has the meaning given such term in section 201”.

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

(2) ELIGIBILITY FOR INSURANCE.—

(A) TITLE i.—Paragraph (1) of section 8(b) of the National Housing Act (12 U.S.C. 1706c(b)(1)) is amended—

(i) by striking “, and be held by,”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(B) SINGLE FAMILY HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(1)) is amended—

(i) by striking “, and be held by,”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(C) SECTION 221 MORTGAGE INSURANCE.—Paragraph (1) of section 221(d) of the National Housing Act (12 U.S.C. 1715l(d)(1)) is amended—

(i) by striking “and be held by”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(D) HOME EQUITY CONVERSION MORTGAGE INSURANCE.—Paragraph (1) of section 255(d) of the National Housing Act (12 U.S.C. 1715z–20(d)(1)) is amended by striking “as responsible and able to service the mortgage properly”.

(E) WAR HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 603(b) of the National Housing Act (12 U.S.C. 1738(b)(1)) is amended—

(i) by striking “, and be held by,”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

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

(i) by striking “and be held by”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(G) GROUP PRACTICE FACILITY MORTGAGE INSURANCE.—Section 1101(b)(2) of the National Housing Act (12 U.S.C. 1749aaa(b)(2)) is amended—

(i) by striking “and held by”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(H) NATIONAL DEFENSE HOUSING INSURANCE.—Paragraph (1) of section 903(b) of the National Housing Act (12 U.S.C. 1750b(b)(1)) is amended—

(i) by striking “, and be held by,”; and

(ii) by striking “as responsible and able to service the mortgage properly”.

(I) CONTINGENT REPEAL.—Unless there is published in the Federal Register, before the expiration of the 5-year period beginning on the date of the enactment of this Act, an order under clause (i) or (ii) of section 201(2)(D) of the National Housing Act (12 U.S.C. 1707(2)(D)), as added by paragraph (1)(A)(2) of this subsection, upon the expiration of such period the provisions of such Act amended by this paragraph are amended to read as such provisions would be in effect upon such expiration if this Act had not been enacted (taking into consideration any amendments, after such date of enactment, to such provisions other than under this Act).

(b) GAO STUDY AND REPORT.—

(1) STUDY.—The Comptroller General of the United States shall conduct a study, upon the expiration of the 42-month period beginning on the date of the enactment of this Act, regarding the effect of the amendments made by subsection (a), which shall analyze and determine—

(A) the extent to which such amendments have resulted in increased participation, by mortgage brokers and correspondent lenders, in the mortgage

insurance programs under the National Housing Act, as measured by the number and amounts of such insured mortgages, disaggregated by the States in which the properties subject to such mortgages are located;

(B) with respect to mortgages insured under such Act, a comparison in the numbers and rate of defaults, foreclosures, and mortgage insurance claims on such mortgages originated by mortgage brokers and correspondent lenders authorized to participate in the programs under such Act pursuant to the amendments made by subsection (a) to such numbers and rates on such mortgages originated by lenders who would be authorized to participate in such programs notwithstanding such amendments;

(C) any impact of such amendments on the costs to the Secretary of Housing and Urban Development of administering the mortgage insurance programs under such title; and

(D) the extent and effectiveness of the supervision and enforcement, by the Secretary, of the additional authority provided under the amendments made by subsection (a).

(2) REPORT.—Not later than the expiration of 4-year period beginning on the date of the enactment of this Act, the Comptroller General shall submit a report to the Congress and the Secretary of Housing and Urban Development setting forth the results and conclusions of the study conducted pursuant to paragraph (1).

SEC. 21. CONFORMING LOAN LIMIT IN DISASTER AREAS.

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

(1) by inserting after “property” the following: “plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary,”;

(2) by striking the second sentence (as added by chapter 7 of the Emergency Supplemental Appropriations Act of 1994 (Public Law 103–211; 108 Stat. 12)); and

(3) by adding at the end the following new sentence: “In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 36 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, and not in excess of 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.”.

SEC. 22. FAILURE TO PAY AMOUNTS FROM ESCROW ACCOUNTS FOR SINGLE FAMILY MORTGAGES.

(a) PENALTIES.—Section 536 of the National Housing Act (12 U.S.C. 1735f–14) is amended—

(1) in subsection (a)(1), by inserting “servicers (including escrow account servicers),” after “appraisers,”;

(2) in subsection (b)(1)—

(A) in the matter preceding subparagraph (A), by inserting “or other participant referred to in subsection (a),” after “lender,” ; and

(B) by inserting at the end the following new subparagraphs:

“(K) In the case of a mortgage for a 1- to 4-family residence insured under title II that requires the mortgagor to make payments to the mortgagee or other servicer of the mortgage for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, failure on the part of the servicer to make any such payment from the escrow account by the deadline to avoid a penalty with respect to such payment provided for in the mortgage, unless the servicer was not provided notice of such deadline.

“(L) In the case of any failure to make any payment as described in subparagraph (K), submitting any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.”; and

(3) in subsection (c)(3), by adding at the end the following: “In the case of any failure to make a payment described in subsection (b)(1)(K) for which the servicer fails to reimburse the mortgagor (A) before the expiration of the 60-day period beginning on the deadline to avoid a penalty with respect to such payment, in the sum of the amount not paid from the escrow account by such dead-

line and the amount of any penalties accruing to the mortgagor that are attributable to such failure, or (B) in the amount of any attorneys fees incurred by the mortgagor and attributable to such failure, the Secretary shall increase the amount of the penalty under subsection (a) for any such failure to reimburse, unless the Secretary determines there are mitigating circumstances.”.

(b) PROHIBITION ON SUBMISSION OF INFORMATION BY HUD.—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. PROHIBITION REGARDING FAILURE ON PART OF SERVICER TO MAKE ESCROW PAYMENTS.

“In the case of any failure to make any payment as described in section 536(b)(1)(K), the Secretary may not submit any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.”.

SEC. 23. ACCEPTABLE IDENTIFICATION FOR FHA MORTGAGORS.

(a) IN GENERAL.—Title II of the National Housing Act is amended by inserting after section 209 (12 U.S.C. 1715) the following new section:

“SEC. 210. FORMS OF ACCEPTABLE IDENTIFICATION.

“The Secretary may not insure a mortgage under any provision of this title unless the mortgagor under the mortgage provides personal identification in one of the following forms:

“(1) SOCIAL SECURITY CARD WITH PHOTO IDENTIFICATION CARD OR REAL ID ACT IDENTIFICATION.—

“(A) A social security card accompanied by a photo identification card issued by the Federal Government or a State Government; or

“(B) A driver’s license or identification card issued by a State in the case of a State that is in compliance with title II of the REAL ID Act of 2005 (title II of division B of Public Law 109–13; 49 U.S.C. 30301 note).

“(2) PASSPORT.—A passport issued by the United States or a foreign government.

“(3) USCIS PHOTO IDENTIFICATION CARD.—A photo identification card issued by the Secretary of Homeland Security (acting through the Director of the United States Citizenship and Immigration Services).”.

(b) EFFECTIVE DATE.—The requirements of section 210 of the National Housing Act (as added by subsection (a) of this section) shall take effect six months after the date of the enactment of this Act.

SEC. 24. PILOT PROGRAM FOR AUTOMATED PROCESS FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

(a) ESTABLISHMENT.—Title II of the National Housing Act (12 U.S.C. 1707 et seq.), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new section:

“SEC. 258. PILOT PROGRAM FOR AUTOMATED PROCESS FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

“(a) ESTABLISHMENT.—The Secretary shall carry out a pilot program to establish, and make available to mortgagees, an automated process for providing alternative credit rating information for mortgagors and prospective mortgagors under mortgages on 1- to 4-family residences to be insured under this title who have insufficient credit histories for determining their creditworthiness. Such alternative credit rating information may include rent, utilities, and insurance payment histories, and such other information as the Secretary considers appropriate.

“(b) SCOPE.—The Secretary may carry out the pilot program under this section on a limited basis or scope, and may consider limiting the program—

“(1) to first-time homebuyers; or

“(2) metropolitan statistical areas significantly impacted by subprime lending.

“(c) LIMITATION.—In any fiscal year, the aggregate number of mortgages insured pursuant to the automated process established under this section may not exceed 5 percent of the aggregate number of mortgages for 1- to 4-family residences insured by the Secretary under this title during the preceding fiscal year.

“(d) SUNSET.—After the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, the Secretary may not enter into any new commitment to insure any mortgage, or newly insure any mortgage, pursuant to the automated process established under this section.”.

(b) GAO REPORT.—Not later than the expiration of the two-year period beginning on the date of the enactment of this Act, the Comptroller General of the United

States shall submit to the Congress a report identifying the number of additional mortgagors served using the automated process established pursuant to section 258 of the National Housing Act (as added by the amendment made by subsection (a) of this section) and the impact of such process and the insurance of mortgages pursuant to such process on the safety and soundness of the insurance funds under the National Housing Act of which such mortgages are obligations.

SEC. 25. SENSE OF CONGRESS REGARDING TECHNOLOGY FOR FINANCIAL SYSTEMS.

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

(1) The Government Accountability Office has cited the FHA single family housing mortgage insurance program as a “high-risk” program, with a primary reason being non-integrated and out-dated financial management systems.

(2) The “Audit of the Federal Housing Administration’s Financial Statements for Fiscal Years 2004 and 2003”, conducted by the Inspector General of the Department of Housing and Urban Development reported as a material weakness that “HUD/FHA’s automated data processing [ADP] system environment must be enhanced to more effectively support FHA’s business and budget processes”.

(3) Existing technology systems for the FHA program have not been updated to meet the latest standards of the Mortgage Industry Standards Maintenance Organization and have numerous deficiencies that lenders have outlined.

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

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

(B) result in efficiencies and lower costs for lenders participating in the program, allowing them to better use the FHA products in extending homeownership opportunities to higher credit risk or lower-income families, in a sound manner.

(5) The Mutual Mortgage Insurance Fund operates without cost to the taxpayers and generates revenues for the Federal Government.

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

(1) the Secretary of Housing and Urban Development should use a portion of the funds received from premiums paid for FHA single family housing mortgage insurance that are in excess of the amounts paid out in claims to substantially increase the funding for technology used in such FHA program;

(2) the goal of this investment should be to bring the technology used in such FHA program to the level and sophistication of the technology used in the conventional mortgage lending market, or to exceed such level; and

(3) the Secretary of Housing and Urban Development should report to the Congress not later than 180 days after the date of the enactment of this Act regarding the progress the Department is making toward such goal and if progress is not sufficient, the resources needed to make greater progress.

SEC. 26. MULTIFAMILY HOUSING MORTGAGE LIMITS IN HIGH COST AREAS.

The National Housing Act is amended—

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

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

(B) by striking “170 percent in high cost areas” each place such term appears and inserting “215 percent in high cost areas”; and

(2) in section 220(d)(3)(B)(iii)(III) (12 U.S.C. 1715k(d)(3)(B)(iii)(III)) by striking “206A” and all that follows through “project-by-project basis” and inserting the following: “206A of this Act) by not to exceed 170 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed 170 percent, or 215 percent in high cost areas, where the Secretary determines it necessary on a project-by-project basis”.

SEC. 27. VALUATION OF MULTIFAMILY PROPERTIES IN NONCOMPETITIVE SALES BY HUD TO STATES AND LOCALITIES.

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

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

“Notwithstanding any other provision of law and with respect to any fiscal year, in determining the market value of any multifamily real property or multifamily loan for any noncompetitive sale to a State or local government entity, the Secretary shall consider, but not be limited to, industry standard appraisal practices, including the cost of repairs needed to bring the property at least to minimum State and

local code standards and of maintaining the existing affordability restrictions imposed by the Secretary on the multifamily real property or multifamily loan.”

SEC. 28. CLARIFICATION OF DISPOSITION OF CERTAIN PROPERTIES.

Notwithstanding any other provision of law, subtitle A of title II of the Deficit Reduction Act of 2005 (12 U.S.C. 1701z–11 note) and the amendments made by such title shall not apply to any transaction regarding a multifamily real property for which—

- (1) the Secretary of Housing and Urban Development has received, before the date of the enactment of such Act, written expressions of interest in purchasing the property from both a city government and the housing commission of such city;
- (2) after such receipt, the Secretary acquires title to the property at a foreclosure sale; and
- (3) such city government and housing commission have resolved a previous disagreement with respect to the disposition of the property.

SEC. 29. USE OF FHA SAVINGS FOR COSTS OF MORTGAGE INSURANCE, HOUSING COUNSELING, FHA TECHNOLOGIES, PROCEDURES, AND PROCESSES, AND FOR AFFORDABLE HOUSING GRANT FUND, AND STUDY.

(a) **IN GENERAL.**—Subject to subsection (c), there is authorized to be appropriated for each fiscal year an amount equal to the net increase for such fiscal year in, except as provided in subsection (b), the negative credit subsidy for the mortgage insurance programs under title II of the National Housing Act resulting from this Act and the amendments made by this Act, for the following purposes in the following amounts:

(1) **SINGLE FAMILY HOUSING MORTGAGE INSURANCE.**—For each fiscal year, for costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of mortgage insurance provided pursuant to section 203(b) of the National Housing Act (12 U.S.C. 1709(b)), the additional amount (not including any costs of such mortgage insurance resulting from this Act or the amendments made by this Act), if any, necessary to ensure that the credit subsidy cost of such mortgage insurance for such fiscal year is \$0.

(2) **HOUSING COUNSELING.**—For each of fiscal years 2008 through 2012, the amount needed to increase funding, for the housing counseling program under section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x), in connection with homebuyers and homeowners with mortgages insured under title II of the National Housing Act, from the amount appropriated for the preceding fiscal year to \$100,000,000.

(3) **MORTGAGE INSURANCE TECHNOLOGY, PROCEDURES, PROCESSES, PROGRAM PERFORMANCE, AND SALARIES.**—For each of fiscal years 2008 through 2012, \$25,000,000 for increasing funding for the purpose of improving technology, procedures, processes, and program performance, and salaries in connection with the mortgage insurance programs under title II of the National Housing Act.

(4) **AFFORDABLE HOUSING FUND.**—For each fiscal year, for an affordable housing fund available for use only for grants to provide affordable rental housing and affordable homeownership opportunities for low-income families, the amount remaining under this section after amounts are made available for such fiscal year in accordance with paragraphs (1), (2), and (3).

(b) **EXCLUSION OF EARNINGS FROM THE SINGLE FAMILY MORTGAGE INSURANCE PROGRAM.**—With respect to a fiscal year, the negative credit subsidy determined under subsection (a) shall not include the negative credit subsidy cost for such fiscal year, if any, for mortgage insurance provided pursuant to section 203(b) of the National Housing Act.

(c) **CERTIFICATION.**—Subsection (a) shall not be effective for a fiscal year unless the Secretary of Housing and Urban Development has, by rule making in accordance with section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section), made a determination that premiums being, or to be, charged during such fiscal year for mortgage insurance under title II of the National Housing Act are established at the minimum amount sufficient to comply with the requirements of section 205(f) of such Act (relating to required capital ratio for the Mutual Mortgage Insurance Fund) and ensure the safety and soundness of the other mortgage insurance funds under such Act, and any negative credit subsidy for such fiscal year resulting from such mortgage insurance programs adequately ensures the efficient delivery and availability of such programs.

(d) **STUDY AND REPORT.**—The Secretary of Housing and Urban Development shall conduct a study to obtain recommendations from participants in the private residential mortgage lending business and the secondary market for such mortgages on how best to update and upgrade procedures, processes, and technologies for the mortgage insurance programs under title II of the National Housing Act so that the

policies and procedures for originating, insuring, and servicing of such mortgages conform with those customarily used by secondary market purchasers of residential mortgage loans. Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress describing the progress made and to be made toward updating and upgrading such procedures, processes, and technology, and providing appropriate staffing for such mortgage insurance programs.

SEC. 30. LIMITATION ON MORTGAGE INSURANCE PREMIUM INCREASES.

Notwithstanding any other provision of law, including any provision of this Act and any amendment made by this Act—

(1) the premiums charged for mortgage insurance under any program under the National Housing Act may not be increased above the premium amounts in effect under such program on October 1, 2006, unless the Secretary of Housing and Urban Development determines that, absent such increase, insurance of additional mortgages under such program would, under the Federal Credit Reform Act of 1990, require the appropriation of new budget authority to cover 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 insurance; and

(2) a premium increase pursuant to paragraph (1) may be made only by rule making in accordance with the procedures under section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section).

SEC. 31. SAVINGS PROVISION.

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

SEC. 32. IMPLEMENTATION.

Except as provided in section 23(b), the Secretary of Housing and Urban Development shall by notice establish any additional requirements that may be necessary to immediately carry out the provisions of this Act. The notice shall take effect upon issuance.

PURPOSE AND SUMMARY

H.R. 1852, the “Expanding American Homeownership Act of 2007,” contains a number of provisions designed to expand the use and improve the efficiency of Federal Housing Administration (FHA) insured loan programs. A major focus of the bill is to modernize the FHA Title II single family loan program, through provisions to raise loan limits in high cost areas, to authorize zero down-payment loans, to permit risk-based pricing, and to direct HUD to modify underwriting guidelines in order to serve higher credit risk borrowers. These changes are augmented by disclosure requirements to ensure that borrowers make informed mortgage choices and consumer protections for higher risk borrowers and borrowers with reduced down payments.

The bill also makes changes to other FHA loan programs, including FHA reverse mortgage loans, multifamily housing loans, and Section 234 condominium loans. Finally, the bill authorizes use of increased taxpayer profits (negative credit subsidies) resulting from the bill for housing counseling, for FHA information technology, and for affordable housing grant purposes.

BACKGROUND AND NEED FOR LEGISLATION

MODERNIZING THE FHA SINGLE FAMILY LOAN PROGRAM

The FHA was established in the 1930s to provide a reliable source of affordable long-term amortizing mortgage loans to enable families to become first time homebuyers. Since then, FHA has provided home financing for millions of Americans. It has done so by

offering mortgage loans at affordable rates and fees to homebuyers who did not qualify for the most competitive mortgage rates and terms offered by private sector lenders. FHA has also been at the forefront of standardizing financial products, especially for low and moderate income and underserved borrowers. FHA has historically maintained its presence in turbulent mortgage markets and in geographic areas experiencing housing downturns, serving as a source of stability at precisely the time when private sector lenders have pulled back or exited such difficult markets.

The hearing on H.R. 1852 raised a number of mortgage issues, including predatory lending practices, risky loan products such as teaser rate loans, and the high rates and costs associated with subprime loans. The hearing cited these types of factors not just as a problem, but also as an opportunity for FHA to reassert its traditional role of meeting unmet mortgage market needs.

The distinction was drawn between predatory loan practices and subprime lending. Subprime lending can perform the important task of providing affordable mortgage credit to borrowers with less than perfect credit histories, but who are still creditworthy. Predatory lending occurs when lenders take advantage of the lack of loan opportunities for subprime borrowers to impose excessive rates and fees, prepayment penalties, and reset terms that can result in exorbitant interest rate increases. Witnesses testified that FHA could serve subprime borrowers at more attractive rates and terms than might otherwise be available in the market, while maintaining underwriting standards and fees sufficient to maintain FHA's financial health.

As recently as the year 2000, the FHA single family loan program was insuring loans for almost a million families a year and generating profits ["negative credit subsidy"] of over \$2 billion a year. Unfortunately, over the last several years, FHA loan volume has fallen significantly. The FHA Commissioner, in his testimony on this bill, identified a number of statutory impediments that have contributed to FHA's declining role in the single family mortgage market. H.R. 1852 makes a number of changes designed to address these impediments, with the goal of increasing FHA participation by private sector loan originators and of increasing loan opportunities for underserved but creditworthy borrowers that would otherwise be shut out of mortgage markets, pay higher rates or be the victims of predatory loan practices.

Loan Limits. The bill raises FHA loan limits to expand the availability of FHA loans. By statute, an FHA single family loan cannot exceed the lower of 95 percent of the local area median home price or 87 percent of the national GSE conforming loan limit. In 2007, this means that no FHA loan may exceed \$362,790. As a result, FHA is of little or no practical value in higher cost areas where median home prices exceed this limit. The bill would address this limitation by raising the maximum FHA loan limit up to the GSE conforming loan limit (currently \$417,000). The bill also makes changes designed to make the program more useful in more moderately priced areas. It raises the local component of the two-part maximum loan limit calculation from 95 percent of the local median home price up to 100 percent of such price, and it raises the current FHA loan floor of 48 percent of the GSE conforming loan limit up to 65 percent of such limit.

The bill provides for a more rational process for setting loan limits on FHA single family loans for 2-, 3-, and 4-unit properties. Currently such limits are set by statute at 107, 130, and 150 percent, respectively, of the 1-unit limit in each local area. The bill revises this method to instead calculate such limits by applying the same ratio that 2-, 3-, and 4-unit GSE conforming loan limits bear to the conforming 1-unit limit. The bill additionally permits an increase in FHA single family loan limits of up to 25 percent higher than the customary loan limit for any home which includes space used for a licensed child care facility, subject to the requirement that such increase must be proportional to the amount of space that will be used for the facility. The bill also gives HUD authority to increase FHA single family loan limits up to 100 percent of the appraised value plus closing costs and up to the nationwide GSE conforming loan limit for a period of up to 36 months in Presidentially-declared disaster areas.

Down Payment Requirements. The bill simplifies and reduces down payment requirements. By statute, the maximum FHA loan-to-value (LTV) calculation is a complicated one, varying based on factors that include the size of the loan and whether the loan is located in a state with high closing costs. The bill would greatly simplify this basic calculation, while maintaining comparable overall levels, by establishing a maximum loan to value of 97.75 percent of the home price, plus the upfront FHA premium. The bill also retains the current statutory requirement that each borrower must make at least a 3 percent down payment in cash.

To better reflect private sector loan practices, the bill also authorizes FHA to reduce down payment requirements, including the authority to offer zero down payment loans. It does so by identifying a separate class of loans for borrowers that do not comply with either the basic LTV or the cash down payment requirement. To cover the increased risk of such lower down payment loans, the maximum upfront FHA premium HUD can charge for such loans is increased from 2.25 percent to 3 percent, and the maximum annual premium that can be charged for such borrowers is raised from .55 to .75 percent. To avoid unfairly imposing fee burdens on borrowers that ultimately meet their loan obligations, the bill includes a "Payment Incentives" provision. This provision requires HUD to reduce annual premiums for borrowers that make 5 years of on-time payments down to the existing statutory maximum of .55 percent in subsequent years. HUD is also authorized to reduce such premiums for borrowers that make three years of on-time payments.

Maximum Loan Term. The bill increases the maximum amortization term for FHA single family loans from 35 years to 40 years. This would permit a slight reduction in a borrower's monthly payment.

Higher Risk Borrowers. The bill directs HUD to underwrite loans for Higher Risk borrowers than it currently serves, defining this category as borrowers with a FICO-equivalent score of 560 or below. To cover the increased risk of such loans, FHA may charge upfront premiums of up to 3 percent. The bill also includes Payment Incentive annual loan fee reductions for Higher Risk borrowers that make on-time payments, as well as a refund at the time of loan repayment of the higher upfront premium that was

charged because the borrower was classified as a Higher Risk borrower.

To further expand FHA loan opportunities, the bill requires HUD to carry out a pilot program to establish an automated process to provide alternative credit rating information for borrowers with insufficient credit histories to determine their creditworthiness. The number of such loans is capped at 5 percent of the number of FHA loans insured in the preceding year, and this pilot sunsets after five years.

Risk-based Pricing. To provide for more accurate pricing of FHA loans in conjunction with these higher levels of authorized FHA premiums, the bill authorizes “risk-based pricing.” Historically, FHA has charged the same level of premiums for all its borrowers, resulting in cross-subsidization between higher and lower credit risk borrowers. Authority for risk-based pricing is designed to more accurately align fees paid with the loan risk borne by the FHA. It is also designed to retain potential lower risk borrowers who might otherwise forgo FHA loans because the fees are not competitive. However, the bill retains some degree of cross-subsidization, through reasonable fee caps and Payment Incentive provisions. Finally, the bill authorizes risk-based pricing based on the type of loan product. This would permit, for example, higher premiums on riskier Adjustable Rate Mortgages [ARMs] than on fixed rate mortgages.

Consumer Protections. To address the increased risks associated with these program changes, the bill includes a number of protections for Higher Risk borrowers and borrowers with zero and lower down payment loans. HUD is given authority to require pre-purchase counseling for such borrowers. If HUD establishes such a requirement, it is intended that it would be established only for riskier classes of borrowers, based on a determination that such a requirement is essential either to mitigate against the risk of such loans, or to ensure that such class of borrower is fully prepared for the risks of buying a home. In addition, FHA mortgage loan originators are required to provide to zero and lower down payment and Higher Risk borrowers a list of local HUD-approved counseling agencies at the time of loan application. And, such borrowers who become 60 days delinquent on their FHA loan must be given notice by a housing counseling entity of the availability of foreclosure prevention counseling.

The bill also requires a number of written disclosures, provided either through counseling or at the time of loan application. Such disclosures must include identification of other mortgage loan options, the additional costs associated with lower down payment loans, and the appreciation needed to pay off zero and lower down payment loans, taking into account real estate sales costs. Borrowers must also be given disclosures at loan closing of their Payment Incentive and loss mitigation rights.

To track the impact of the bill on the financial soundness of the FHA program, H.R. 1852 requires HUD to report annually on the rates of default and foreclosure of zero and lower down payment and Higher Risk borrowers. HUD is also required to report on loss mitigation actions it has taken.

FHA MULTI-FAMILY LOANS

Four years ago, Congress raised the maximum loan limit for FHA-insured multi-family loans in high cost areas, but did not provide the increase needed to fully cover construction costs in the nation's highest cost housing markets. The bill would complete this effort, by raising the maximum loan limit in high cost areas from 140 percent of the basic loan limit to 170 percent of such limit, and by raising the maximum loan limit on a case-by-case basis from 170 percent of the basic loan limit to 215 percent of such limit.

In addition, the bill would clarify implementation of the 2005 Reconciliation Act provision that prohibits discount loan sales and upfront grants to localities of foreclosed FHA-insured multifamily properties. The bill states that HUD must take into account, consistent with normal appraisal practices, the cost of rehabilitation and maintaining affordability restrictions in establishing the market price to be offered to localities under their statutory first right of refusal to purchase such properties. The bill would also clarify the provision in the 2005 Act grandfathering existing purchase proposals from the prohibition against discount sales. The bill states that this grandfather status would apply to transactions in which HUD received an expression of interest from both a local city and housing authority prior to enactment of the 2005 Act, provided that a disagreement between such two entities was subsequently resolved.

FHA REVERSE MORTGAGE LOANS

The bill would permanently eliminate the statutory volume cap on the total number of FHA Home Equity Conversion Mortgage loans [HECMs, also known as reverse mortgage loans] which HUD can insure. Without a removal of this cap, the program could otherwise be forced to be shut down.

The bill also decouples FHA reverse mortgage loan limits from the general FHA loan limit calculation which caps limits at the local median home price. Instead, the bill establishes a unified maximum reverse mortgage loan limit equal to the GSE conforming loan limit. This change is made to reflect the fact that reverse mortgage loans are not used to buy a home or refinance a loan, but rather to pay other costs which are not generally tied to home prices (e.g., health care costs). The bill would also set a cap on the maximum loan fee that an FHA reverse mortgage loan originator can charge, setting such cap at 2 percent of the "original principal limit" of the mortgage. Finally, the bill requires HUD to conduct a study to analyze the effects of reducing FHA reverse mortgage premiums on both the cost to borrowers and the financial soundness of the program.

USE OF FHA SAVINGS FOR COUNSELING, TECHNOLOGY IMPROVEMENTS,
AND AFFORDABLE HOUSING GRANT FUND PURPOSES

Over the last five years, FHA has produced over \$10 billion in profits to federal taxpayers, as calculated by CBO's determination of negative credit subsidies for all the FHA loan programs. The practice has been to simply return these funds to the Federal treasury.

The bill would instead authorize a reinvestment of such profits into both the FHA specifically, and into housing more generally. The bill would calculate the net negative credit subsidies over each of the next five years that are created by the bill's provisions, and would authorize appropriations of such amounts for certain specified purposes. First, funds would be authorized for any credit subsidy appropriation that might be needed to keep the basic FHA single family 203(b) loan program in the black that year (i.e., avoid any credit subsidy appropriation that might be needed). Secondly, \$58 million a year would be authorized to bring funding for housing counseling up from the current level of \$42 million to \$100 million a year. Third, \$25 million would be authorized each year for FHA information technology, procedures, and processes.

Finally, an authorization is provided for all net negative credit subsidies that remain after such deductions for use as an affordable housing fund, for grants to provide affordable rental housing and homeownership opportunities for low income families. As a further condition no funds may be used in any year for such purpose unless HUD, by rule, makes a determination that FHA premiums being charged that year are sufficient to comply with the Section 205(f) MMIF capital ratio requirement and are also sufficient to ensure the safety and soundness of the other FHA mortgage insurance funds. Moreover, no negative credit subsidies from the Section 203(b) single family loan program may be used for affordable housing fund purposes.

HUD is required to conduct a study on how best to update and upgrade FHA procedures, processes, and technologies. The bill also includes a Sense of Congress stating that HUD should use a portion of the funds FHA receives from premiums in excess of what it pays out in claims to upgrade FHA's current technology. FHA is also encouraged to submit a report to Congress detailing the progress it is making towards this goal and any resources it may need to make greater progress.

OTHER PROVISIONS

The bill includes a number of provisions designed to enhance program flexibility, increase mortgage originator participation in FHA loans, limit unnecessary FHA premiums, and protect the financial soundness of FHA.

The bill revises the definition of condominium mortgages which may be insured, to provide that condominiums may be in the form of manufactured housing units. The bill also modifies the definition of real estate to permit manufactured homes sited on land under a long term lease to be financed under Title II, even if they are not taxed as real property. The purpose is to permit such FHA loans in states that do not tax such homes as real estate, and therefore do not meet the current HUD definition of real estate for the purpose of insuring FHA Title II loans.

The bill also includes a provision to encourage increased participation of mortgage brokers and correspondent lenders in FHA. The current FHA net worth and annual audit requirement is commonly cited as a barrier to increased participation in FHA by mortgage brokers and loan correspondents. The bill gives such entities the option of posting a \$75,000 surety bond in lieu of the existing net worth and annual audit requirements. Such authority would expire

after five years, unless HUD extends the provision pursuant to a determination that it provides comparable protections or modifies it to provide for comparable protection. The bill also requires GAO to conduct a study and report to Congress within 4 years on the effect of provision.

The bill also imposes additional requirements for mortgage brokers participating in FHA loans. Among other things, mortgage brokers are required to safeguard and account for any money handled for the borrower, to follow reasonable and lawful instructions from the borrower, and to act with reasonable skill, care, and diligence. Any mortgage broker found by HUD to have violated these provisions may not originate any FHA-insured loans.

The bill includes a provision to bar unnecessary fee hikes in FHA programs. Specifically, it prohibits HUD from increasing any FHA premiums above the level in effect at the beginning of FY 2007 unless HUD determines that such an increase is necessary to avoid a credit subsidy appropriation. This provision is designed to ensure that FHA fees are used solely to cover the risk associated with the loan, and not to supplement general fund revenues.

The bill requires FHA mortgage servicers that establish escrow accounts to make required payments by any deadline required to avoid a penalty, unless such servicer was not provided notice of such deadline. HUD is authorized to increase the amount of penalty for servicers that fail to reimburse borrowers per this requirement. The bill also prohibits submission of information by HUD or servicers that is adverse to the credit rating or interest of the borrower, if such information is based on the servicer's failure to make a payment by any deadline.

The bill makes a number of changes to provisions of the Credit Reform Act of 1990 which are designed to insure that the Mutual Mortgage Insurance Fund (MMIF) remains financially sound. These include transferring a number of FHA programs into the MMIF, including Section 234 condominium loans, Section 203(k) purchase-rehabilitation loans, reverse mortgage loans, Section 247 loans insured on Hawaiian Home Lands, and Section 248 loans in Indian Reservations.

The bill also prohibits HUD from insuring any FHA loan unless the borrower provides personal identification, which may include a Social Security card along with a photo ID issued by the Federal or a state government, a drivers license or ID card issued by a state in accordance with the REAL ID Act of 2005, a passport, and a USCIS photo identification card.

HEARINGS

The Subcommittee on Housing and Community Opportunity held a hearing on April 19, 2007 entitled "The Expanding American Homeownership Act of 2007: H.R. 1852 and Related FHA Modernization Issues." The following witnesses testified:

Panel One:

The Honorable Brian D. Montgomery, Assistant Secretary for Housing–Federal Housing Commissioner, U.S. Department of Housing and Urban Development

Panel Two:

- Ms. Iona Harrison, GRI, National Association of Realtors

- Mr. Lautaro “Lot” Diaz, Vice President, Community Development, National Council of La Raza
- Mr. John M. Robbins, CMB, Chairman, Mortgage Bankers Association
- Mr. Ed Smith, Jr., Chairman, CAMB Government Affairs Committee, Chief Executive Officer, Plaza Financial Group, California Association of Mortgage Brokers
- Mr. William P. Killmer, National Association of Home Builders, Group Executive Vice President for Advocacy

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on May 2, 2007, and on May 3, 2007, ordered H.R. 1852, the Expanding American Homeownership Act of 2007, as amended, favorably reported to the House by a record vote of 45 yeas and 19 nays.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A motion by Mr. Frank to report the bill, as amended, to the House with a favorable recommendation was agreed to by a record vote of 45 yeas and 19 nays (Record vote FC-46). The names of Members voting for and against follow:

RECORD VOTE NO. FC-46

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Mr. Baker		X	
Ms. Waters	X			Ms. Pryce (OH)	X		
Mrs. Maloney	X			Mr. Castle	X		
Mr. Gutierrez	X			Mr. King (NY)	X		
Ms. Velázquez	X			Mr. Royce		X	
Mr. Watt	X			Mr. Lucas		X	
Mr. Ackerman				Mr. Paul			
Ms. Carson	X			Mr. Gillmor	X		
Mr. Sherman	X			Mr. LaTourette	X		
Mr. Meeks	X			Mr. Manzullo		X	
Mr. Moore (KS)	X			Mr. Jones			
Mr. Capuano	X			Mrs. Biggert		X	
Mr. Hinojosa	X			Mr. Shays	X		
Mr. Clay	X			Mr. Miller (CA)	X		
Mrs. McCarthy	X			Mrs. Capito	X		
Mr. Baca	X			Mr. Feeney		X	
Mr. Lynch	X			Mr. Hensarling		X	
Mr. Miller (NC)	X			Mr. Garrett (NJ)		X	
Mr. Scott	X			Ms. Brown-Waite (FL)		X	
Mr. Green	X			Mr. Barrett (SC)		X	
Mr. Cleaver	X			Mr. Gerlach	X		
Ms. Bean	X			Mr. Pearce			
Ms. Moore (WI)	X			Mr. Neugebauer		X	
Mr. Davis (TN)	X			Mr. Price (CA)		X	
Mr. Sires	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry			
Mr. Ellison	X			Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam		X	
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X						

RECORD VOTE NO. FC-46—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Donnelly	X	.....	.....		
Mr. Wexler	X	.....	.....		
Mr. Marshall	X	.....	.....		
Mr. Boren	X	.....	.....		

The following amendments were disposed of by record votes. The names of Members voting for and against follow:

An amendment by Mr. Garrett, No. 9, regarding temporary reinstatement of downpayment and premium requirements in event of increased defaults, was not agreed to by a record vote of 29 yeas and 34 nays (Record vote FC-38):

RECORD VOTE NO. FC-38

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X	.....	Mr. Bachus	X	.....	.....
Mr. Kanjorski	Mr. Baker	X	.....	.....
Ms. Waters		X	.....	Ms. Pryce (OH)	X	.....	.....
Mrs. Maloney		X	.....	Mr. Castle	X	.....	.....
Mr. Gutierrez		X	.....	Mr. King (NY)	X	.....	.....
Ms. Velázquez	Mr. Royce	X	.....	.....
Mr. Watt		X	.....	Mr. Lucas	X	.....	.....
Mr. Ackerman		X	.....	Mr. Paul .....	.....	.....	.....
Ms. Carson		X	.....	Mr. Gillmor	X	.....	.....
Mr. Sherman		X	.....	Mr. LaTourette	X	.....	.....
Mr. Meeks		X	.....	Mr. Manzullo	X	.....	.....
Mr. Moore (KS)		X	.....	Mr. Jones	X	.....	.....
Mr. Capuano		X	.....	Mrs. Biggert	X	.....	.....
Mr. Hinojosa		X	.....	Mr. Shays	X	.....	.....
Mr. Clay		X	.....	Mr. Miller (CA)	X	.....	.....
Mrs. McCarthy		X	.....	Mrs. Capito	X	.....	.....
Mr. Baca		X	.....	Mr. Feeney .....	.....	.....	.....
Mr. Lynch		X	.....	Mr. Hensarling	X	.....	.....
Mr. Miller (NC)		X	.....	Mr. Garrett (NJ)	X	.....	.....
Mr. Scott		X	.....	Ms. Brown-Waite (FL)	X	.....	.....
Mr. Green		X	.....	Mr. Barrett (SC)	X	.....	.....
Mr. Cleaver	Mr. Gerlach	X	.....	.....
Ms. Bean		X	.....	Mr. Pearce	X	.....	.....
Ms. Moore (WI)		X	.....	Mr. Neugebauer	X	.....	.....
Mr. Davis (TN)		X	.....	Mr. Price (GA)	X	.....	.....
Mr. Sires		X	.....	Mr. Davis (KY)	X	.....	.....
Mr. Hodes		X	.....	Mr. McHenry	X	.....	.....
Mr. Ellison		X	.....	Mr. Campbell .....	.....	.....	.....
Mr. Klein		X	.....	Mr. Putnam	X	.....	.....
Mr. Mahoney (FL)		X	.....	Mrs. Bachmann	X	.....	.....
Mr. Wilson		X	.....	Mr. Roskam	X	.....	.....
Mr. Perlmutter		X	.....	Mr. Marchant	X	.....	.....
Mr. Murphy		X	.....			
Mr. Donnelly		X	.....			
Mr. Wexler		X	.....			
Mr. Marshall		X	.....			
Mr. Boren		X	.....			

An amendment by Mr. Frank, No. 15, regarding use of FHA savings for costs of mortgage insurance, housing counseling, and affordable housing grant fund, was agreed to by a record vote of 37 yeas and 15 nays (Record vote FC-39):

RECORD VOTE NO. FC-39

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Mr. Baker	X		
Ms. Waters				Ms. Pryce (OH)	X		
Mrs. Maloney	X			Mr. Castle	X		
Mr. Gutierrez				Mr. King (NY)	X		
Ms. Velázquez	X			Mr. Royce		X	
Mr. Watt	X			Mr. Lucas		X	
Mr. Ackerman				Mr. Paul			
Ms. Carson	X			Mr. Gillmor			
Mr. Sherman	X			Mr. LaTourette	X		
Mr. Meeks	X			Mr. Manzullo			
Mr. Moore (KS)	X			Mr. Jones			
Mr. Capuano	X			Mrs. Biggert		X	
Mr. Hinojosa				Mr. Shays			
Mr. Clay	X			Mr. Miller (CA)	X		
Mrs. McCarthy	X			Mrs. Capito	X		
Mr. Baca				Mr. Feeney		X	
Mr. Lynch	X			Mr. Hensarling		X	
Mr. Miller (NC)	X			Mr. Garrett (NJ)		X	
Mr. Scott	X			Ms. Brown-Waite (FL)		X	
Mr. Green	X			Mr. Barrett (SC)		X	
Mr. Cleaver	X			Mr. Gerlach		X	
Ms. Bean	X			Mr. Pearce			
Ms. Moore (WI)	X			Mr. Neugebauer			
Mr. Davis (TN)	X			Mr. Price (GA)		X	
Mr. Sires	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry			
Mr. Ellison				Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam			
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant			
Mr. Murphy							
Mr. Donnelly	X						
Mr. Wexler	X						
Mr. Marshall	X						
Mr. Boren	X						

An amendment by Mrs. Biggert, No. 16, regarding use of FHA savings for Title II single family mortgage insurance programs, was not agreed to by a record vote of 22 yeas and 38 nays (Record vote FC-40):

RECORD VOTE NO. FC-40

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman				Mr. Paul			
Ms. Carson		X		Mr. Gillmor			
Mr. Sherman		X		Mr. LaTourette		X	
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano		X		Mrs. Biggert	X		
Mr. Hinojosa		X		Mr. Shays		X	
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney			

RECORD VOTE NO. FC-40—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite (FL)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach		X	
Ms. Bean		X		Mr. Pearce			
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)	X		
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry			
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam			
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant			
Mr. Murphy							
Mr. Donnelly		X					
Mr. Wexler		X					
Mr. Marshall		X					
Mr. Boren		X					

An amendment by Mr. Bachus, No. 17, limiting housing fund increases, was not agreed to by a record vote of 26 yeas and 36 nays (Record vote FC-41):

RECORD VOTE NO. FC-41

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman				Mr. Paul			
Ms. Carson		X		Mr. Gillmor			
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano		X		Mrs. Biggert	X		
Mr. Hinojosa		X		Mr. Shays			
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney	X		
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite (FL)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce			
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)	X		
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry			
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X					
Mr. Donnelly		X					
Mr. Wexler		X					

RECORD VOTE NO. FC-41—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Marshall		X					
Mr. Boren		X					

An amendment by Mr. Price (GA), No. 21, requiring offsets, was not agreed to by a record vote of 27 yeas and 37 nays (Record vote FC-42):

RECORD VOTE NO. FC-42

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman				Mr. Paul			
Ms. Carson		X		Mr. Gillmor	X		
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano		X		Mrs. Biggert		X	
Mr. Hinojosa		X		Mr. Shays	X		
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney	X		
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite (FL)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce			
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)	X		
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry			
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X					
Mr. Donnelly		X					
Mr. Wexler		X					
Mr. Marshall		X					
Mr. Boren		X					

An amendment by Mr. Price (GA), No. 22, regarding protection of senior citizen homeowners, was not agreed to by a record vote of 28 yeas and 36 nays (Record note FC-43):

RECORD VOTE NO. FC-43

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		

RECORD VOTE NO. FC-43—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Ackerman				Mr. Paul			
Ms. Carson		X		Mr. Gillmor	X		
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano		X		Mrs. Biggert	X		
Mr. Hinojosa		X		Mr. Shays	X		
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney	X		
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite (FL)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce			
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)	X		
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry			
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X					
Mr. Donnelly		X					
Mr. Wexler		X					
Mr. Marshall		X					
Mr. Boren		X					

An amendment by Mr. Garrett, No. 23, regarding suspension of contributions, was not agreed to by a record vote of 28 yeas and 36 nays (Record vote FC-44):

RECORD VOTE NO. FC-44

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman				Mr. Paul			
Ms. Carson		X		Mr. Gillmor	X		
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano		X		Mrs. Biggert	X		
Mr. Hinojosa		X		Mr. Shays	X		
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney	X		
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite (FL)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce			
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)	X		

RECORD VOTE NO. FC-44—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Sires		X	.....	Mr. Davis (KY)	X	.....	.....
Mr. Hodes		X	.....	Mr. McHenry .....		.....	.....
Mr. Ellison		X	.....	Mr. Campbell	X	.....	.....
Mr. Klein		X	.....	Mr. Putnam	X	.....	.....
Mr. Mahoney (FL)		X	.....	Mrs. Bachmann	X	.....	.....
Mr. Wilson		X	.....	Mr. Roskam	X	.....	.....
Mr. Perlmutter		X	.....	Mr. Marchant	X	.....	.....
Mr. Murphy		X	.....			
Mr. Donnelly		X	.....			
Mr. Wexler		X	.....			
Mr. Marshall		X	.....			
Mr. Boren		X	.....			

An amendment by Mr. Biggert, No. 24, an amendment in the nature of a substitute, was not agreed to by a record vote of 28 yeas and 36 nays (Record vote FC-45):

RECORD VOTE NO. FC-45

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X	.....	Mr. Bachus	X	.....	.....
Mr. Kanjorski		X	.....	Mr. Baker	X	.....	.....
Ms. Waters		X	.....	Ms. Pryce (OH)	X	.....	.....
Mrs. Maloney		X	.....	Mr. Castle	X	.....	.....
Mr. Gutierrez		X	.....	Mr. King (NY)	X	.....	.....
Ms. Velázquez		X	.....	Mr. Royce	X	.....	.....
Mr. Watt		X	.....	Mr. Lucas	X	.....	.....
Mr. Ackerman	Mr. Paul .....		.....	.....
Ms. Carson		X	.....	Mr. Gillmor	X	.....	.....
Mr. Sherman		X	.....	Mr. LaTourette	X	.....	.....
Mr. Meeks		X	.....	Mr. Manzullo	X	.....	.....
Mr. Moore (KS)		X	.....	Mr. Jones .....		.....	.....
Mr. Capuano		X	.....	Mrs. Biggert	X	.....	.....
Mr. Hinojosa		X	.....	Mr. Shays	X	.....	.....
Mr. Clay		X	.....	Mr. Miller (CA)	X	.....	.....
Mrs. McCarthy		X	.....	Mrs. Capito	X	.....	.....
Mr. Baca		X	.....	Mr. Feeney	X	.....	.....
Mr. Lynch		X	.....	Mr. Hensarling	X	.....	.....
Mr. Miller (NC)		X	.....	Mr. Garrett (NJ)	X	.....	.....
Mr. Scott		X	.....	Ms. Brown-Waite (FL)	X	.....	.....
Mr. Green		X	.....	Mr. Barrett (SC)	X	.....	.....
Mr. Cleaver		X	.....	Mr. Gerlach	X	.....	.....
Ms. Bean		X	.....	Mr. Pearce .....		.....	.....
Ms. Moore (WI)		X	.....	Mr. Neugebauer	X	.....	.....
Mr. Davis (TN)		X	.....	Mr. Price (GA)	X	.....	.....
Mr. Sires		X	.....	Mr. Davis (KY)	X	.....	.....
Mr. Hodes		X	.....	Mr. McHenry .....		.....	.....
Mr. Ellison		X	.....	Mr. Campbell	X	.....	.....
Mr. Klein		X	.....	Mr. Putnam	X	.....	.....
Mr. Mahoney (FL)		X	.....	Mrs. Bachmann	X	.....	.....
Mr. Wilson		X	.....	Mr. Roskam	X	.....	.....
Mr. Perlmutter		X	.....	Mr. Marchant	X	.....	.....
Mr. Murphy		X	.....			
Mr. Donnelly		X	.....			
Mr. Wexler		X	.....			
Mr. Marshall		X	.....			
Mr. Boren		X	.....			

The following other amendments were also considered by the Committee:

An amendment by Mr. Hodes, No. 1, regarding failure to pay amounts from escrow accounts for single family mortgages, was agreed to by a voice vote.

An amendment by Mr. Donnelly, No. 2, adding manufactured housing, was agreed to by a voice vote.

An amendment by Mr. Donnelly, No. 3, adding the definition of real estate, was agreed to by a voice vote.

An amendment by Mrs. McCarthy, No. 4, requiring a mandatory notice, was agreed to by a voice vote.

An amendment by Mr. Frank, No. 5, adding participation of mortgage brokers and correspondent lenders, was agreed to, as amended, by a voice vote.

An amendment by Mr. Green to the amendment offered by Mr. Frank, No. 5a, adding additional mortgage brokers and correspondent lenders, was agreed to, as modified by unanimous consent, by a voice vote.

An amendment by Ms. Waters to the amendment offered by Mr. Frank, No. 5b, inserting mortgage bankers, was agreed to by a voice vote.

An amendment by Mrs. Maloney, No. 6, providing insurance for single family homes with licensed day care facilities, was agreed to by a voice vote.

An amendment by Mr. Moore of Kansas, No. 7, limiting mortgage insurance premiums was agreed to by a voice vote.

An amendment by Mr. Frank, No. 8, clarifying disposition of certain properties, was agreed to by a voice vote.

An amendment by Mr. Marshall, No. 10, putting a limitation on origination fees, was agreed to by a voice vote.

An amendment by Mrs. Capito, No. 11, requiring acceptable forms of identification for FHA mortgagors, was agreed to by a voice vote.

An amendment by Mr. Green, No. 12, establishing a pilot program for automated process for borrowers without sufficient credit history, was agreed to by a voice vote.

An amendment by Mrs. Biggert, No. 13, requiring notification and availability to mortgagor, was not agreed to by a voice vote.

An amendment by Mr. McHenry, No. 14, requiring mortgage disclosures, was offered and withdrawn.

An amendment by Ms. Waters, No. 18, expanding underwriting standards, was agreed to by a voice vote.

An amendment by Mr. Miller of California, No. 19, regarding certification requirements, was agreed to by a voice vote.

An amendment by Mr. Neugebauer, No. 20, the question was divided: The first part, dealing with authorization of appropriations, was not agreed to by a voice vote. The second part, authorizing a HUD study and report, was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 1852 contains a number of provisions designed to expand the use and improve the efficiency of Federal Housing Administration (FHA) insured loan programs. A major focus of the bill is to modernize the FHA Title II single family loan program, through provisions to raise loan limits in high cost areas, to authorize zero down payment loans, to permit risk-based pricing, and to direct HUD to modify underwriting guidelines in order to serve higher credit risk borrowers. These changes are augmented by disclosure requirements to ensure that borrowers make informed mortgage choices and consumer protections for higher risk borrowers and borrowers with reduced down payments.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

JUNE 11, 2007.

Hon. BARNEY FRANK,
Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1852, the Expanding American Homeownership Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susanne S. Mehlman.

Sincerely,

PETER R. ORSZAG.

Enclosure.

H.R. 1852—Expanding American Homeownership Act of 2007

Summary: H.R. 1852 would amend the National Housing Act to authorize the Federal Housing Administration (FHA) to implement a new pricing structure for the mortgage guarantees it offers. This

legislation also would remove the statutory limitation on the number of reverse mortgages that FHA can insure and would make other changes to the Home Equity Conversion Mortgage (HECM) program. In addition, this legislation would authorize the appropriation of funds to provide certain borrowers with financial counseling and to establish a new affordable housing fund.

Enacting H.R. 1852 would increase direct spending by allowing the Department of Housing and Urban Development (HUD) to sell certain properties at below-market prices without an appropriation of funds to offset any forgone sales proceeds. That provision would modify the cost of some previous and outstanding loan guarantees. As a result, CBO estimates that enacting H.R. 1852 would increase direct spending by \$16 million in 2007.

CBO also estimates that implementing H.R. 1852 would result in a net increase in offsetting collections (a credit against discretionary spending) of \$313 million in 2008 and \$628 million over the 2008–2012 period, assuming that appropriation laws necessary to implement the FHA programs and the Mortgage-Backed Securities (MBS) program of the Government National Mortgage Association (GNMA) are enacted.

H.R. 1852 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1852 is shown in the following table. The cost of this legislation falls within budget functions 370 (mortgage and housing credit) and 600 (income security).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 1852

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
CHANGES IN DIRECT SPENDING						
Discounted Multifamily Sale						
Estimated Budget Authority	2	0	0	0	0	0
Estimated Outlays	2	0	0	0	0	0
Noncompetitive Multifamily Sales						
Estimated Budget Authority	14	0	0	0	0	0
Estimated Outlays	14	0	0	0	0	0
Total Changes						
Estimated Budget Authority	16	0	0	0	0	0
Estimated Outlays	16	0	0	0	0	0
SPENDING SUBJECT TO APPROPRIATION						
Net FHA and GNMA Spending, and Spending for Housing Counseling Under Current Law ¹						
Estimated Authorization Level	–900	–402	–425	–425	–425	–425
Estimated Outlays	–900	–365	–419	–425	–425	–425
Total Changes						
Estimated Authorization Level	0	–12	–16	–17	–22	–28
Estimated Outlays	0	–313	–139	–36	–65	–75
Net Spending Under H.R. 1852						
Estimated Authorization Level	–900	–414	–441	–442	–447	–453
Estimated Outlays	–900	–678	–558	–461	–490	–500

¹The figures for 2007 are CBO's current estimates of budget authority and outlays for FHA's multifamily and single-family programs, the HECM program, HUD's housing counseling program, and for GNMA's MBS program under the enacted appropriation levels for this year. The 2008–2012 levels are CBO's baseline estimates of the net offsetting collections that would be generated by those programs, assuming that appropriation laws necessary to implement FHA and GNMA programs are enacted.

Note: GNMA = Government National Mortgage Association; HECM = Home Equity Conversion Mortgage; MBS = Mortgage-Backed Securities; HUD = Department of Housing and Urban Development; FHA = Federal Housing Administration.

Basis of Estimate: For this estimate, CBO assumes that H.R. 1852 will be enacted before the end of fiscal year 2007, that the amounts necessary to implement the bill will be appropriated for each year, and that appropriation laws necessary to implement the FHA and GNMA programs will be enacted each year.

Changes in direct spending

Prior to the enactment of the Deficit Reduction Act (DRA) of 2005, HUD often sold foreclosed multifamily properties to state and local governments as part of its right of first refusal program (that is, a noncompetitive program in which HUD negotiated directly with the buyer). Frequently, state and local governments purchased those properties for nominal amounts, such as \$1. The DRA bars HUD from taking into account the cost of rehabilitating the foreclosed property and the expense of maintaining existing affordability restrictions on the property (for example, limiting the amount of rent paid by tenants) when setting the price for a noncompetitive property sale. As a result, noncompetitive sales no longer occur. Potential buyers (including state and local governments) have concluded that the price HUD sets for a noncompetitive sale exceeds the amount that bidders would offer in a competitive auction. DRA authorizes HUD to sell foreclosed properties at lower prices only if funds have been appropriated to offset the foregone sales proceeds through 2010. Since the enactment of DRA in 2006, no such appropriations have been provided.

Both sections 27 and 28 would result in below-market sales in certain circumstances without further appropriation action. Enacting those sections would increase direct spending because the cash flows associated with some previous and existing loan guarantees would be modified. The cost of a loan modification is estimated on a net-present-value basis and recorded in the year in which the legislation is enacted. CBO estimates that enacting the two sections would result in a cost of \$16 million in 2007, as discussed below.

Valuation of Multifamily Properties in Noncompetitive Sales by HUD to States and Localities. Section 27 would require HUD to adjust for the cost of rehabilitating and maintaining existing affordability restrictions when appraising foreclosed properties for the purpose of calculating the price for sales to states and localities. CBO expects that this legislation would allow noncompetitive sales to become an attractive alternative to competitive auctions for some state and local governments. Consequently, we estimate that the volume of noncompetitive sales of foreclosed properties would return to levels that existed prior to the enactment of the DRA—about 10 property sales each year.

Based on information from HUD, CBO estimates that the price paid in noncompetitive sales prior to enactment of DRA averaged \$1.3 million less than the price paid in competitive sales for similar properties. Based on information from HUD, we do not expect that HUD would return to its pre-DRA practice of negotiating sales prices for nominal amounts. However, CBO estimates that it is likely that the sales price in half of the negotiated sales that would occur under H.R. 1852 would be less than the price that would be received in an auction. Consequently, we estimate that, on average, the government would forgo receipts of about \$5 million per year—

\$1 million each for about five properties per year that would be sold in noncompetitive sales over the 2008–2010 period.

Because enacting this provision would change the expected cash flows associated with the multifamily insurance program, this loss of sales proceeds (which are recoveries on defaulted loans) would be considered a modification of existing federal loan guarantees. Under credit reform procedures, the costs of such modifications are estimated on a net-present-value basis and recorded in the year in which the legislation is enacted. Assuming the bill is enacted late in fiscal year 2007, CBO estimates that enacting this provision would result in an increase in direct spending of \$14 million in 2007. (Such estimated costs would be recorded in 2008 if the bill is enacted after September 30, 2007.)

Clarification of Disposition of Certain Properties. Section 28 would, under certain circumstances, exempt properties from the sale requirements specified in the DRA. Based on information from HUD, CBO estimates that this provision would affect the sale of one property located in Michigan by allowing its sale to the city government at a price below market value. CBO estimates that the market value of the property is about \$2 million, and that, under current law, it will be sold at a competitive auction; under this provision, the property could instead be sold to the city government for a nominal amount. Because this section would result in a change to the cash flows associated with the original loan guarantee, this loss of receipts would be considered a loan modification. As a result, CBO estimates that enacting this section would increase direct spending by about \$2 million in 2007.

Spending subject to appropriation

CBO estimates that implementing H.R. 1852 would result in an increase in offsetting collections of \$313 million in 2008 and \$628 million over the 2008–2012 period, assuming enactment of appropriation laws necessary to implement the FHA and GNMA programs. The estimated additional offsetting collections would stem from the authority in H.R. 1852 to expand FHA’s HECM loan program and to raise the loan limits for FHA’s multifamily program. The latter change also would result in more offsetting collections for GNMA. Additional discretionary costs associated with limiting a planned increase in mortgage insurance fees, providing payment incentives to certain FHA borrowers, and authorizing the appropriation of funds for housing counseling and for a new affordable housing fund would be netted against those new offsetting collections.

CBO expects that other provisions of the bill would have no significant budgetary impact over the next 5 years. The major provisions of the bill are discussed below. Table 2 details the components of estimated spending subject to appropriation under H.R. 1852.

Amendments to the HECM Loan Insurance Program. HECM loans are considered to be “reverse mortgages” because they enable homeowners who are at least 62 years of age to withdraw some of the equity in their homes in the form of monthly payments, in a lump sum, or through a line of credit. Under current law, FHA is permitted to guarantee up to a cumulative total of 275,000 such loans, although this limitation has been waived through fiscal year

2007. This cap has already been reached this year; consequently, the program will be inactive beginning in 2008 unless the cap is amended.

Loan size is tied to loan limits that vary by geographic region, and such loans cannot be used to purchase another home. In addition, the origination fee charged by lenders is calculated as a percentage of the home's value.

Enacting this legislation would remove the statutory limitation on the number of loans that could be guaranteed, set a single nationwide limit on the dollar amount of a HECM loan that would be tied to the conforming loan amount, limit the origination fee to 2 percent of the loan amount (subject to a minimum allowable amount), and allow borrowers to use HECM loans to purchase a new home. (Conforming loans have terms and conditions that follow the guidelines set forth by the Government Sponsored Enterprises (GSEs); the conforming loan amount is \$417,000.)

Implementation of the HECM program, like all of FHA's insurance programs, is contingent on the enactment of appropriation laws that provide annual loan commitment authority. Thus, the estimated budgetary impact of this proposal is considered to be discretionary, and it is tied to the demand for HECM loans and the estimated subsidy cost of the loan guarantees.

Because, under credit reform procedures, guarantees of HECM loans are estimated to have negative subsidies (that is, they earn money for the government), CBO estimates that implementing those amendments would increase offsetting collections by about \$2.1 billion over the 2008–2012 period.

TABLE 2. ESTIMATED EFFECTS OF H.R. 1852 ON SPENDING SUBJECT TO APPROPRIATION

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Net FHA and GNMA Spending, and Spending for Housing Counseling Under Current Law ¹						
Estimated Authorization Level	-900	-402	-425	-425	-425	-425
Estimated Outlays	-900	-365	-419	-425	-425	-425
Proposed Changes						
Amendments to HECM Loan Program						
Estimated Authorization Level	0	-370	-385	-410	-445	-480
Estimated Outlays	0	-370	-385	-410	-445	-480
Higher Loan Limits for Multifamily Program						
Estimated Authorization Level	0	-19	-19	-19	-19	-19
Estimated Outlays	0	-19	-19	-19	-19	-19
Additional GNMA Offsetting Collections						
Estimated Authorization Level	0	-12	-17	-19	-26	-34
Estimated Outlays	0	-12	-17	-19	-26	-34
Limit on Premium Increases for Mortgage Insurance						
Estimated Authorization Level	0	20	43	43	43	43
Estimated Outlays	0	20	43	43	43	43
Cost of Payment Incentives						
Estimated Authorization Level	0	16	16	16	16	16
Estimated Outlays	0	16	16	16	16	16
Housing Counseling Program						
Estimated Authorization Level	0	58	58	58	58	58
Estimated Outlays	0	6	49	58	58	58
FHA Technology Support Costs						
Authorization Level	0	25	25	25	25	25
Estimated Outlays	0	19	25	25	25	25
Affordable Housing Fund						
Estimated Authorization Level	0	270	262	287	322	357

TABLE 2. ESTIMATED EFFECTS OF H.R. 1852 ON SPENDING SUBJECT TO APPROPRIATION—
Continued

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
Estimated Outlays	0	27	148	268	279	310
Total Changes						
Estimated Authorization Level	0	-12	-16	-17	-22	-28
Estimated Outlays	0	-313	-139	-36	-65	-75
Net Spending Under H.R. 1852						
Estimated Authorization Level	-900	-414	-441	-442	-447	-453
Estimated Outlays	-900	-678	-558	-461	-490	-500

¹ The figures for 2007 are CBO's current estimates of budget authority and outlays for FHA's multifamily and single-family programs, the HECM program, HUD's housing counseling program, and for GNMA's MBS program under the enacted appropriation levels for this year. The 2008-2012 levels are CBO's baseline estimates of the net offsetting collections that would be generated by those programs, assuming that appropriation laws necessary to implement FHA and GNMA programs are enacted.

Note: GNMA = Government National Mortgage Association; HECM = Home Equity Conversion Mortgage; MBS = Mortgage-Backed Securities; HUD = Department of Housing and Urban Development; FHA = Federal Housing Administration.

Demand for HECM Loans. According to the National Reverse Mortgage Lenders Association (NRMLA) and other industry experts, the HECM program has risen in popularity in recent years. As more consumers are becoming aware of the product, more households are becoming eligible for the program (currently over 17 million households have owners who are age 65 or older, according to census data), and more seniors view the product as an alternative approach to financing home-improvement projects, medical costs, and other needs. In addition, sources in the mortgage industry have observed an increasing demand among seniors for new housing within senior communities. The number of HECM loans insured by FHA more than doubled from 2003 to 2006 (18,000 loans were insured in 2003, compared with 76,000 loans in 2006). Furthermore, based on the number of HECM loans insured as of April 2006, that volume could reach over 100,000 loans by the end of fiscal year 2007.

Based on information from FHA, NRMLA, and other industry experts, CBO estimates that setting a single nationwide loan limit and permitting borrowers to use HECM loans to purchase a new home would result in a product that would be more attractive to borrowers and more easily marketed by lenders, resulting in increased demand for HECM loans. On the other hand, the limit on the origination fee could result in a program that is less profitable for certain lenders, causing some to end or limit their participation in the program. A lower origination fee, however, could increase the program's attractiveness to some borrowers, assuming lenders do not increase interest rates significantly to compensate for lower origination fees.

Currently, the market for FHA's HECM loans appears to be very robust, and under this bill, FHA would probably insure more than 100,000 loans annually over the next several years. Also, GNMA's recent decision to begin securitizing HECM loans could result in increased activity by lenders, as investors in the secondary mortgage market begin to invest in mortgage-backed securities that include this product. Whether the number of guarantees could exceed 100,000 loans on a continued basis each year would depend on FHA's ability to administer and manage the program in an efficient manner and on the market's response to this bill, especially the change in the origination fee. Based on information from FHA, CBO estimates that the agency could insure about 110,000 loans

(with a face value of about \$27 billion) in 2008. In subsequent years, we estimate that demand would increase at the estimated rates for appreciation in housing prices—about 2 percent to 4 percent a year.

Subsidy Cost. Under current law, FHA guarantees of HECM loans are estimated to result in net offsetting collections to the federal government because guarantee fees for those mortgages are currently estimated to more than offset the costs of expected defaults. For 2008, the Administration's subsidy estimate for HECM guarantees is -1.9 percent. Under the expanded program authorized by H.R. 1852, CBO estimates that the subsidy rate for the HECM loans would be -1.35 percent. This reduction from the estimated rate for 2008 is due to the increased risk FHA would experience under the proposed nationwide loan limitation. With larger loan sizes, the "equity cushion" (that is the difference between the home's value and the potential cost of a claim payment) would decrease, leading to potentially more costly claims for FHA.

This estimated subsidy rate of -1.35 percent assumes that the HECM loan program would not be subject to the risk-based pricing structure authorized by the bill and described below. CBO assumes that FHA would continue to charge fixed, up-front, and annual fees for all HECM borrowers, regardless of any specific evaluation of their individual risk of default. CBO estimates that implementing this legislation would result in additional offsetting collections of \$370 million in 2008 and \$2.1 billion over the 2008–2012 period, contingent on enactment of appropriation bills that would establish the authority to make HECM loan guarantees by specifying annual loan commitment levels.

Estimated Impact on Demand for Multifamily Loan Guarantees. GNMA is responsible for guaranteeing securities backed by pools of mortgages that are insured by the federal government. In exchange for a fee charged to lenders or issuers of the securities, GNMA guarantees the timely payments of scheduled principal and interest due on the pooled mortgages that back those securities. Because, under credit reform procedures, the value of the fees collected by GNMA is estimated to exceed the cost of loan defaults in each year, the Administration estimates that the GNMA MBS program will have a subsidy rate of -0.21 percent in 2008, resulting in the net collection of receipts to the federal government.

Currently GNMA does not securitize HECM loans; according to GNMA, however, securitization of those loans will begin in 2008 if the program has authority to operate beyond 2007. Under the bill, CBO estimates that in 2008 about 5 percent of the HECM loans would be included in GNMA's MBS program. We estimate that in subsequent years, 10 percent to 20 percent of the HECM loans would be securitized by GNMA. Thus, CBO estimates that those proposed changes to the HECM program would result in additional offsetting collections to GNMA, totaling about \$40 million over the 2008–2012 period, assuming appropriation action to establish a dollar limitation for the GNMA securities program.

Higher Loan Limits for the Multifamily Program. Under the National Housing Act, FHA is authorized to insure private loans used to finance certain multifamily homes, subject to loan limitations specified in appropriation acts. Section 26 would increase the current limit on the value of individual loans that FHA can guarantee

in certain high-cost areas of the country under 12 of its 20 multifamily loan guarantee programs. (High-cost housing markets are designated by FHA and include such cities as Boston, San Francisco, and Los Angeles.)

The maximum amount of a loan that FHA can guarantee for multifamily housing depends on the base loan levels established by FHA, which vary by type and size of housing within a project. For example, the base loan limit for each unit of a building with two-bedroom apartments without elevators is roughly \$54,000. Currently, in regions designated by FHA as high-cost areas, the base loan limit can be increased by up to 170 percent. Thus, in a high-cost region, the loan limit for each unit in a building with two-bedroom apartments without elevators can be as high as \$146,000 (that is, 270 percent of the base limit). Under H.R. 1852, FHA could increase the base loan limit by up to 215 percent in high-cost areas. (In this example, the loan limit for that two-bedroom apartment could be as high as \$170,000.)

Estimated Impact on Demand for Multifamily Loan Guarantees. The Federal Credit Reform Act of 1990 requires an appropriation of the subsidy costs and administrative costs associated with loan guarantees and direct loans. The subsidy cost is the estimated long-term cost to the government of a loan guarantee or a direct loan, calculated on a net-present-value basis, excluding administrative costs. Under current law, FHA's guarantees of multifamily loans are estimated to result in net offsetting collections (that is, negative outlays) because the Administration estimates that guarantee fees collected on those mortgages will more than offset the costs of expected defaults, calculated on a present-value basis. For 2008, CBO estimates that the weighted average subsidy cost for the multifamily programs subject to the loan limit increases under this legislation is -1.9 percent. This estimate takes into account the prohibition on increases in certain premium fees in section 30 of this legislation. In addition, CBO estimates that, under current law, FHA will insure \$4 billion to \$5 billion in multifamily loans in 2008.

If FHA made more loan guarantees as a result of the higher cap on the value of loans in high-cost areas, the agency would record additional offsetting collections (which would be a reduction in discretionary spending). According to industry experts, the current loan limits constrain new construction and rehabilitation of multifamily housing. Based on information from FHA field offices and realtors in certain high-cost areas, CBO expects that, under H.R. 1852, FHA would insure an additional 35 to 45 loans a year for multifamily projects with a total face value of about \$1 billion. We expect that the subsidy rate for those loans over the 2008–2012 period would be similar to the program's estimated rate of -1.9 percent for 2008 under H.R. 1852. Thus, CBO estimates that those additional loan guarantees would increase offsetting collections to FHA (and thus reduce outlays) by about \$19 million annually over the 2008–2012 period.

Effects on GNMA's Subsidy Costs. Because most FHA multifamily loan guarantees are included in GNMA's MBS program, CBO estimates that raising the loan limit would result in additional GNMA collections of about \$2 million a year over the 2008–2012 period. Those savings would affect discretionary spending be-

cause, like FHA, GNMA requires appropriation action to establish the total amount of its guarantees.

Raising Loan Limits for the Single-Family Program. Section 3 would raise FHA's loan limit—the dollar amount of a mortgage that FHA can insure—for its single-family program from 87 percent of the conforming loan amount to 100 percent of the conforming loan limit in certain geographic regions where the cost of housing is very high. Effectively, this would be a change from insuring loans of \$362,790 today to insuring loans of up to \$417,000 in certain parts of the country. In less expensive markets, the limit would be raised from 48 percent to 65 percent of the conforming loan limit, or a change from loan guarantees of up to \$200,160 to loan guarantees of up to \$271,050 under the bill.

CBO estimates that implementing this provision would increase loan volume by about 8 percent a year—about \$4 billion annually in additional loan guarantees—over the next five years. This increase would stem mostly from increasing the limit in the less expensive housing markets. Despite this estimated increase in loan volume, CBO estimates that no additional offsetting collections would be realized because we expect the subsidy rate for the single-family program to be zero over the next five years. However, because most FHA single-family loan guarantees are included in GNMA's MBS program, CBO estimates that raising the loan limit would result in additional offsetting collections to GNMA of about \$45 million over the 2008–2012 period. As mentioned earlier, GNMA requires appropriation action to establish its dollar limitation for the securities program, so those savings would be offsets to discretionary spending.

Limit on Increases in Fees for Mortgage Insurance. Currently, FHA has the authority to adjust fees for its mortgage insurance programs through administrative action. Section 30 would prohibit FHA from increasing fees unless the increase is required to maintain the estimated credit subsidy for the program at zero, but not less than zero. According to the Administration, annual fees for new loan guarantees for the apartment development and refinance programs will increase by about 16 basis points beginning in 2008. CBO estimates that those fee increases would affect about \$2.6 billion in loan guarantees in 2008 and over \$3 billion in loan guarantees annually in subsequent years. Furthermore, we estimate that those fee increases would increase offsetting collections for this program by \$192 million over the 2008–2012 period. Thus, prohibiting those fee increases would result in a loss of \$192 million in discretionary offsetting collections over the next five years.

Cost of Payment Incentives. Section 9 would authorize HUD to provide certain payment incentives to borrowers after three years of timely premium payments; after five years of timely premium payments, FHA would be required to provide payment incentives. Borrowers who have taken out zero down payment loans or who are considered to be a higher risk of default would be eligible for some of those incentives, which include reductions in annual premiums and refunds of up-front premiums upon payment of the full mortgage. CBO estimates that the borrowers of about \$7 billion in FHA-guaranteed mortgages made annually would eventually be eligible for certain payment incentives. Furthermore, we estimate that those payment incentives would increase the subsidy rate for

the affected loan guarantees by an average of 0.23 percent. Under the Federal Credit Reform Act of 1990, such costs require the appropriation of funds. CBO estimates that appropriations of about \$16 million would be required annually over the 2008–2012 period. Section 29, which is discussed below, would authorize appropriations for any credit subsidy required for the single-family loan guarantee program.

Additional Authorizations of Appropriations. Section 29 of this legislation would authorize the appropriation of funds for various purposes in amounts that equal the net increase in negative credit subsidy for the FHA programs resulting from this legislation. Such appropriations would be used to provide credit subsidies for the single-family loan guarantee program (to the extent needed), funding for the housing counseling program, funding to support the improvement of FHA's technologies and processes, and funding for an affordable housing fund, which would provide grants to support affordable rental housing and affordable homeownership opportunities for low-income families. Those funds are not authorized to be appropriated each year unless HUD, by rule, determines that FHA premiums being charged that year are sufficient to comply with the Mutual Mortgage Insurance Fund's (MMIFs) capital ratio requirement and are also sufficient to ensure the safety and soundness of other FHA mortgage insurance funds.

Based on the amounts CBO estimates for the provisions affecting the HECM and multifamily programs, we estimate that about \$2 billion would be authorized to be appropriated over the 2008–2012 period. We further estimate that, over the next five years, implementing these provisions would cost about \$80 million for the credit subsidies associated with the payment incentives, \$229 million for the housing counseling program, \$119 million for FHA program support, and \$1 billion for the affordable housing fund.

Risk-based Pricing and Flexible Downpayment Requirements. Currently, FHA's single-family loan guarantee program has a flat premium structure under which all borrowers pay the same up-front and annual fees, regardless of the borrower's individual risk of default. According to the FHA, the up-front fee in 2008 is expected to increase from 1.5 percent to 1.66 percent and the annual fee will rise from 0.5 percent to 0.55 percent. Furthermore, the Administration estimates that those fee increases will result in a subsidy rate of zero for the single-family program for 2008.

Under this legislation, FHA would have the authority to match the fees it charges with the borrowers' risk of default or the risk associated with a particular loan product, and to offer guarantees for loans with little or no down payment. For certain borrowers and types of loan products, the up-front fee could be as high as 3 percent and the annual fee could be as high as 0.75 percent. CBO estimates that implementing this risk-based pricing proposal would result in a weighted subsidy rate that is about zero. Because the subsidy rate for 2008 is estimated to be zero under current law, CBO expects that FHA would charge rates under H.R. 1852 that would produce a similar result.

Intergovernmental and private-sector impact: H.R. 1852 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal costs: Susanne S. Mehlman; impact on state, local, and tribal governments: Teri Gullo; impact on the private sector: Paige Piper/Bach.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

In compliance with clause 9 of rule XXI, the Committee is in receipt of the following correspondence: Regarding section 28, the City of Ypsilanti, Michigan, submitted by Mr. Dingell:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 15, 2007.

Hon. BARNEY FRANK,
Chairman, House Committee on Financial Services,
Washington, DC.

Hon. SPENCER BACHUS,
Ranking Member, House Committee on Financial Services,
Washington, DC.

DEAR GENTLEMEN: I am requesting the legislative language found in Section 28 of H.R. 1852 for the City of Ypsilanti, Michigan in fiscal year 2008. The entity that would benefit from this provision is the City of Ypsilanti, located at City Hall, One South Huron Street, Ypsilanti, MI 48197. The provision would allow HUD to sell the Parkview Apartments, located at 596 S. Hamilton Street, Ypsi-

lanti, Michigan 48197, at a below market rate. I certified that neither I nor my spouse has any financial interest in this project.
Sincerely,

JOHN D. DINGELL,
Member of Congress.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title and table of contents

Includes a table of contents and the short title of the bill, which is the “Expanding American Homeownership Act of 2007.”

Section 2. Findings and purposes

Includes the findings and purposes of the Act.

Section 3. Maximum principal loan obligation

Increases FHA Section 203(b)(2) single family mortgage loan limits. Under current law, the maximum insurable mortgage loan amount for a Single Family residence is the lesser of (a) 95 percent of the local median home price, or (b) 87 percent of the nationwide GSE conforming loan limit—except that notwithstanding the local median home price determination, there is a national loan floor equal to 48 percent of the nationwide GSE conforming loan limit. This section raises the loan limit to the lesser of: (a) 100 percent of the local median home price, or (b) the nationwide GSE conforming loan limit. It also raises the nationwide loan floor from 48 percent to 65 percent of the GSE conforming limit. In 2007, the nationwide GSE conforming loan limit is \$417,000.

Under current law, FHA loan limits for 2-, 3- and 4-unit mortgages are statutorily set as 107 percent, 130 percent, and 150 percent of the FHA single family 1-unit median home price, respectively. This section changes this calculation, so that the ratio of loan limits for 2-, 3-, and 4-unit mortgages to the FHA 1-unit mortgage limit is conformed to the same ratios that the GSE conforming loan limits for 2-, 3-, and 4-unit mortgages bear to the GSE conforming 1-unit loan limit.

Section 4. Extension of mortgage term

Extends the maximum loan term on FHA single family loans from 35 to 40 years.

Section 5. Down payment simplification

The current loan-to-value (LTV) limit for an FHA single family loan is generally 97.75 percent of a home’s appraised value, plus the upfront FHA premium—except that there are separate LTV limits for loans of lower amounts and for loans in states that do not have high closing costs. This section simplifies the FHA single family statutory LTV limits to permit loans up to 97.75 percent of appraised value, plus the upfront FHA mortgage premium. It also creates new statutory authority to waive this limit for “zero- and lower-down payment borrowers,” as are defined in Section 6.

Also retains the current statutory 3 percent cash down payment requirement—except for “zero- and lower-down payment borrowers,” as are identified in Section 6.

Section 6. Mortgage insurance premiums for zero and lower down payment borrowers

Defines “zero- and lower down payment borrowers” as first-time homebuyers who do not comply with either the 97.75 percent LTV limit or the 3 percent cash down requirement, referenced in Section 5.

FHA is authorized to charge upfront premiums for such borrowers in an amount up to 3 percent, and annual premiums for such borrowers up to .75 percent of the loan balance.

Section 7. Higher risk borrowers

Creates a definition of a “Standard Risk” borrower as a borrower with a 560 or higher equivalent FICO score that complies with LTV and 3 percent down payment requirements. Also defines a “Higher Risk” borrower as one with a FICO equivalent score below 560. Directs HUD to underwrite loans for Higher Risk borrowers. Raises the existing statutory upfront cap for Higher Risk borrowers from 2.25 percent to 3 percent, but retains the .55 percent annual premium cap for such borrowers.

Section 8. Risk-based premiums

Authorizes risk-based premiums for Zero and Lower Down borrowers” and “Higher Risk” borrowers (as defined in Sections 6 and 7). Establishes procedures for HUD to establish and change premiums, including a list of factors to be considered in establishing such premiums. Also authorizes risk-based pricing based on product type—such as fixed rate vs. ARM, and Section 203(b) vs. Section 234 condominium loans.

Section 9. Payment incentives

Requires HUD to provide “Payment Incentives” for borrowers that make on-time payments for at least the first 5 years of the loan. For zero down borrowers, such Payment Incentives would result in a reduction of annual premiums after such period down to statutory maximum of .55 percent. For higher risk borrowers, Payment Incentives would result in a reduction of annual payments after such period down to the level that would have been charged had they not been higher risk, plus a refund equal to the difference between the higher upfront premium such borrowers paid and the premium paid by Standard Risk Borrowers. HUD is also authorized to offer these Payment Incentives to borrowers after a period of 3 years of on-time payments.

Section 10. Borrower protections for higher risk mortgages

Authorizes HUD to require pre-purchase counseling for zero and lower down payment borrowers and higher risk borrowers. Requires the mortgagee to provide the borrower at loan application a list of HUD-approved housing counseling agencies in the area. In addition, borrowers who become 60-days delinquent on their loan must be given notice by a housing counseling entity of the availability of foreclosure prevention counseling.

Requires borrowers applying for zero down and lower down payment loans to be provided written disclosures, either through counseling or at loan application, regarding other mortgage loan options, the additional costs associated with lower down payment

loans and the appreciation needed to pay off the loan, including selling costs. Also at closing, borrowers are to be given disclosures of their payment incentive rights and rights to loss mitigation.

Section 11. Annual reports on new programs and loss mitigation

Requires HUD to report annually on the rates of default and foreclosure of zero and lower down payment and higher risk borrowers, as well as actions HUD has taken with respect to loss mitigation.

Section 12. Insurance for single family homes with licensed child care facilities

Permits an increase in FHA single family loan limits of up to 25 percent higher than the customary loan limit for any home which includes space used for a licensed child care facility. Such increase must be proportional to the amount of space that will be used for the child care facility.

Section 13. Rehabilitation loans

Deletes obsolete language in existing section 203(k)(1) FHA rehabilitation loans. Also makes the Section 203(k) program an obligation of the Mutual Mortgage Insurance Fund (MMIF), instead of its current status as an obligation of the General Insurance Fund.

Section 14. Discretionary action

Moves existing language contained in section 203(s) of the National Housing Act, dealing with notification requirements about actions taken by the Secretary to suspend or revoke the approval of a mortgagee to participate in FHA programs, to section 202 of the National Housing Act, which contains the basic authority of the Mortgagee Review Board.

Section 15. Insurance of condominiums and manufactured housing

Establishes a new limitation on the existing Section 234(c) condominium program, to limit such loans in the future to take out financing for multifamily blanket mortgages on FHA insured section 234(d) condominium projects. Contains a conforming amendment to Section 234(c) of the National Housing Act to permit 40 year mortgages. Amends section 201(a) of the National Housing Act to add a definition of condominium mortgage to the definition section, consistent with the intent to insure condominium mortgages under section 203 of the National Housing Act, and to provide that condominiums may be in the form of manufactured housing units. Modifies the definition of real estate to permit manufactured homes to be financed, even though they are not taxed as real property.

Section 16. Mutual mortgage insurance fund

Clarifies that the MMIF is subject to the provisions of the Credit Reform Act of 1990, and the use of 'guarantee' and 'commitment to guarantee' reflects that purpose. Directs HUD to ensure that the MMIF remains financially sound. Also requires HUD to provide an independent actuarial report to Congress annually on the financial status of the Fund, and requires HUD to submit a quarterly report on the financial status and soundness of the Fund. Grants HUD

the authority to change premiums or underwriting standards if the Fund is at risk in accordance with other sections of this bill.

Establishes operational goals for the Fund, which include charging appropriate premiums commensurate with the borrower's risk, minimizing the default risk to the Fund and to homeowners, curtailing the impact of adverse selection on the Fund, and meeting the housing needs of the borrowers that this bill is designed to serve.

Makes insured mortgages that are used in conjunction with the Homeownership Voucher program obligations of the MMIF and makes reverse mortgages insured under section 255 of the National Housing Act obligations of the MMIF.

Section 17. Hawaiian home land and Indian reservations

Makes single family mortgages insured on Hawaiian Home Lands under section 247 of the National Housing Act and single family mortgages insured on Indian Reservations under section 248 of the National Housing Act obligations of the MMIF.

Section 18. Conforming and technical amendments

Repeals certain obsolete or little used programs and makes two other technical and conforming amendments. The programs repealed include:

- * Section 203(i) mortgage insurance for outlying areas.
- * Sections 203(o), (p) and (q) relating to certain mortgage insurance on Indian lands.
- * Section 222 mortgage insurance for servicemen. The program is not operational and the benefits of mortgage insurance are otherwise available under section 203.
- * Section 237 special mortgage insurance for low income families.
- * Section 245 graduated payment mortgage program.

Section 19. Home equity conversion mortgages

Eliminates the current mortgage volume cap on FHA reverse mortgages [also know as Home Equity Conversion (HECM) mortgages]. Also provides for a uniform nationwide mortgage loan cap on FHA reverse mortgage loans, equal to the GSE conforming loan limit [thus eliminating the local median home price determination otherwise used for Section 203(b) loans]. Requires HUD to establish limits on the origination fee that may be charged for a reverse mortgage loan, which shall equal 2 percent of the original principal limit of the mortgage, be subject to a minimum allowable amount, and provide that the origination fee may be financed by the mortgage. Permits FHA reverse mortgage loans to be used in cooperative units. Requires HUD to conduct a study, to analyze the effects of reducing premiums on both the cost to the borrowers and the financial soundness of the program.

Section 20. Participation of mortgage brokers and correspondent lenders

Gives mortgage brokers and correspondent lenders the option of posting a \$75,000 surety bond in lieu of the existing net worth and annual audit requirements for participation in the FHA single family loan program. Requires GAO to conduct a study and report to

Congress within 4 years of the date of enactment on the effect of this change, with respect to extent of increased participation, comparison of defaults, foreclosures, and insurance claims, and HUD supervision of the provision. This option is repealed after five years unless HUD either extends it based on a determination that such alternative treatment provides comparable protection to the existing audit and net worth requirements or modifies it pursuant to a determination published in the Federal Register as HUD considers appropriate to provide for such comparable protection.

Imposes additional requirements for mortgage brokers and correspondent lenders participating in FHA loans, including requiring them to safeguard and account for any money handled for the borrower, to follow reasonable and lawful instructions from the borrower, and to act with reasonable skill, care, and diligence.

Section 21. Conforming loan limit in disaster areas

Gives HUD the authority to increase FHA single family loan limits up to 100 percent of the appraised value plus closing costs and up to the nationwide GSE conforming loan limit for a period of up to 36 months in Presidentially-declared disaster areas.

Section 22. Failure to pay amounts from escrow accounts for single family mortgages

Requires FHA mortgage servicers that establish escrow accounts to make required payments by any deadline required to avoid a penalty, unless such servicer was not provided notice of such deadline. Authorizes HUD to increase the amount of penalty for servicers that fail to reimburse borrowers, including for attorneys fees incurred by the borrower, within 60 days of the failure to make a payment by a deadline. Also prohibits submission of information by HUD or servicers that is adverse to the credit rating or interest of the borrower, which is based on the servicer's failure to make a payment by any deadline.

Section 23. Acceptable identification for FHA mortgagors

Prohibits HUD from insuring any FHA loan unless the borrower provides personal identification. Permissible forms of identification include a Social Security card along with a photo ID issued by the Federal or a state government, a drivers license or ID card issued by a state in accordance with the REAL ID Act of 2005, a passport, and a USCIS photo identification card.

Section 24. Pilot program for automated process for borrowers without a sufficient credit history

Requires HUD to carry out a pilot program to establish an automated process for providing alternative credit rating information for borrowers who have insufficient credit histories for determining their creditworthiness. HUD may not insure a number of mortgages under this pilot which exceeds 5 percent of the aggregate number of FHA insured mortgages in the preceding year. Within 2 years of the bill's enactment, GAO is required to send Congress a report identifying the number of additional borrowers under this pilot and the impact of the pilot on safety and soundness. This pilot sunsets after 5 years of the bill's enactment.

Section 25. Sense of Congress regarding technology for financial systems

Sense of Congress stating that HUD should use a portion of the funds FHA receives from premiums in excess of what it pays out in claims to upgrade FHA's current technology. FHA is also encouraged to submit a report to Congress detailing the progress it is making towards this goal and any resources it may need to make greater progress.

Section 26. Multifamily housing mortgage limits in high cost areas

Increases maximum FHA multifamily loan limits in high cost areas from 140 percent of the basic loan limit to 170 percent and raises such maximum loan limits on a case by case basis from 170 percent of the basic limit to 215 percent of such limit.

Section 27. Valuation of multifamily properties in noncompetitive sales by HUD to State and localities

Requires HUD to take into account the cost of rehabilitation and maintaining existing affordability restrictions when appraising FHA foreclosed multifamily loan properties for the purposes of calculating the sale price under states' and localities' first right of refusal to purchase such properties.

Section 28. Clarification of disposition of certain properties

Clarifies grandfather provisions relating to continued eligibility for discounted sales under the first right of refusal of foreclosed FHA multifamily properties with respect to the 2005 Deficit Reduction Act which eliminated such discounted sales—by permitting transitions for which HUD received an expression of interest in purchasing a property from both a city government and housing commission of the city, and for which such city government and housing commission have resolved a previous disagreement with respect to disposition of the property.

Section 29. Use of FHA savings for costs of mortgage insurance, housing counseling, and affordable housing grant fund

Authorizes appropriations, in the amount equal to the net increase in negative credit subsidy created by the bill's provisions, for use as an affordable housing fund, for grants to provide affordable rental housing and homeownership opportunities for low income families—after first deducting all of the following: (1) the amount, if any, needed to avoid a credit subsidy appropriation for the FHA 203(b) single family loan program in that year, (2) the amount needed to increase nationwide funding for housing counseling grants from the current level of \$42 million to \$100 million a year for each of the next five years, and (3) \$25 million each of the next five years to increase funding for improving FHA technology, procedures, processes, and program performance, and salaries. No funds may be expended under this section in any year unless HUD, by rule, makes a determination that FHA premiums being charged that year are sufficient to comply with the Section 205(f) MMIF capital ratio requirement and are also sufficient to ensure the safety and soundness of the other FHA mortgage insurance funds. No negative credit subsidies from the Section 203(b) single family loan program may be used to fund expenditures under this section.

HUD shall conduct a study on how best to update and upgrade FHA procedures, processes, and technologies.

Section 30. Limitation on mortgage insurance premium increases

Prohibits HUD from increasing any FHA premiums above the level in effect at the beginning of FY 2007 unless the HUD Secretary determines that, absent such increase, a program would require a credit subsidy appropriation.

Section 31. Savings provision

Provides that any mortgage insured before the bill's date of enactment shall continue to be governed by laws, regulations, orders, and terms and conditions that existed prior to the bill's enactment.

Section 32. Implementation

Requires HUD to establish by notice any additional requirements necessary to carry out the provisions of this bill, which notice shall take immediate effect.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

NATIONAL HOUSING ACT

* * * * *

TITLE I—HOUSING RENOVATION AND MODERNIZATION

* * * * *

INSURANCE OF MORTGAGES

SEC. 8. (a) * * *

(b) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to[, and be held by,] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly];

* * * * *

TITLE II—MORTGAGE INSURANCE

DEFINITIONS

SEC. 201. [As used in section 203 of this title—] *As used in this title and for purposes of participation in insurance programs under this title, except as specifically provided otherwise, the following definitions shall apply:*

[(a)] (1) The term “mortgage” means (A) a first mortgage on real estate, in fee simple, [or on a leasehold (1)] (B) a first mortgage on a leasehold on real estate (i) under a lease for not less than ninety-nine years which is renewable [or (2)], or (ii)

under a lease having a period of not less than ten years to run beyond the maturity date of the mortgage, or (C) a first mortgage given to secure the unpaid purchase price of a fee interest in, or long-term leasehold interest in, real estate consisting of a one-family unit in a multifamily project, including a project in which the dwelling units are attached, or are manufactured housing units, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project; and the term “first mortgage” means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instrument, if any, secured thereby.

[(b) The term “mortgagee” includes the original lender under a mortgage, and his successors and assigns approved by the Secretary; and the term “mortgagor” includes the original borrower under a mortgage and his successors and assigns.]

(2) *The term “mortgagee” means any of the following entities, and its successors and assigns, to the extent such entity is approved by the Secretary:*

(A) *QUALIFICATION BY AUDIT AND NET WORTH.—A lender, or mortgage broker, or correspondent lender, who—*

- (i) makes, underwrites, and services mortgages;*
- (ii) submits to the Secretary such financial audits performed in accordance with the standards for financial audits of the Government Auditing Standards issued by the Comptroller General of the United States;*
- (iii) meet the minimum net worth requirement that the Secretary shall establish; and*
- (iv) complies with such other requirements as the Secretary may establish.*

(B) *QUALIFICATION OF CORRESPONDENT LENDERS BY SURETY BOND.—Except as provided in subparagraph (D), a correspondent lender who—*

- (i) closes a mortgage in its name but does not underwrite or service the mortgage;*
- (ii) posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirement, in—*

(I) a form satisfactory to the Secretary; and

(II) an amount of \$75,000, as such amount is adjusted annually by the Secretary (as determined under regulations of the Secretary) by the change for such year in the Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the Department of Labor; and

- (iii) complies with such other requirements as the Secretary may establish.*

(C) *QUALIFICATION OF BROKERS BY SURETY BOND.—Except as provided in subparagraph (D), a mortgage broker who—*

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

(ii) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a mortgage broker in such State;

(iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

(iv) complies with such other requirements as the Secretary may establish.

(D) *CONDITIONS FOR CONTINUED APPLICABILITY.*—(i) Subparagraphs (B) and (C) shall continue to apply after the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007 only if, after the expiration of the 4-year period beginning upon such date of enactment and taking into consideration the report submitted in accordance with section 19(b) of such Act, the Secretary—

(I) makes a determination that such subparagraphs provide protection to mortgage insurance funds for mortgages insured under this title that are comparable to the protection provided by the requirements for mortgagees under this title as in effect immediately before the enactment of such Act; and

(II) publishes in the Federal Register a notice of such determination and an order extending the applicability of such subparagraphs.

(ii) If, taking into consideration such report, the Secretary makes a determination after the expiration of such 4-year period that subparagraphs (B) and (C) do not provide protection as referred to in clause (i) of this subparagraph, the Secretary may, by order published in the Federal Register, provide for the participation, after the expiration of the 5-year period referred to in clause (i), of correspondent lenders and mortgage brokers as mortgagees in the insurance programs under this title in accordance with subparagraphs (B) and (C) as modified by the Secretary as the Secretary considers appropriate to provide such protection.

(E) *ADDITIONAL MORTGAGE BROKER REQUIREMENTS.*—

(i) In addition to the requirements under subparagraphs (A) and (C) and to duties imposed under other statutes or common law, to be eligible as a mortgagee under this section, a broker shall—

(I) safeguard and account for any money handled for the borrower;

(II) follow reasonable and lawful instructions from the borrower; and

(III) act with reasonable skill, care, and diligence.

(ii) For purposes of this subparagraph, a loan correspondent shall be considered to be a mortgage broker.

(iii) The duties and standards of care created in this subparagraph shall not be waived or modified.

(iv) Any broker found by the Secretary to have violated the requirements of this subparagraph may not originate mortgage loans insured under this title.

(3) *The term “mortgagor” includes the original borrower under a mortgage and the successors and assigns of the original borrower.*

[(c)] (4) *The term “maturity date” means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.*

[(d)] (5) *The term “State” includes the several States and Puerto Rico, the District of Columbia, Guam, [the Trust Territory of the Pacific Islands] the Commonwealth of the Northern Mariana Islands, American Samoa, and the Virgin Islands.*

[(e)] (6) *The term “family member” means, with respect to a mortgagor under such section, a child, parent, or grandparent of the mortgagor (or the mortgagor’s spouse). In determining whether any of the relationships referred to in the preceding sentence exist, a legally adopted son or daughter of an individual (and a child who is a member of an individual’s household, if placed with such individual by an authorized placement agency for legal adoption by such individual), and a foster child of an individual, shall be treated as a child of such individual by blood.*

[(f)] (7) *The term “child” means, with respect to a mortgagor under such section, a son, stepson, daughter, or stepdaughter of such mortgagor.*

(8) *The term “child care facility” means a facility that—*

(A) *has as its purpose the care of children who are less than 12 years of age; and*

(B) *is licensed or regulated by the State in which it is located (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located).*

Such term does not include facilities for school-age children primarily for use during normal school hours.

(9) *The term “real estate” means land and all natural resources and structures permanently affixed to the land, including residential buildings and stationary manufactured housing. The Secretary may not require, for treatment of any land or other property as real estate for purposes of this title, that such land or property be treated as real estate for purposes of State taxation.*

FEDERAL HOUSING ADMINISTRATION OPERATIONS

SEC. 202. [(a) MUTUAL MORTGAGE INSURANCE FUND.—There is hereby created a Mutual Mortgage Insurance Fund (hereinafter referred to as the “Fund”), which shall be used by the Secretary as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under section 203 as hereinafter provided, and there shall be allocated immediately to such Fund the sum of \$10,000,000 out of funds made available to the Secretary for the purposes of this title.]

(a) *MUTUAL MORTGAGE INSURANCE FUND.—*

(1) *ESTABLISHMENT.—Subject to the provisions of the Federal Credit Reform Act of 1990, there is hereby created a Mutual Mortgage Insurance Fund (in this title referred to as the “Fund”), which shall be used by the Secretary to carry out the provisions of this title with respect to mortgages insured under*

section 203. The Secretary may enter into commitments to guarantee, and may guarantee, such insured mortgages.

(2) *LIMIT ON LOAN GUARANTEES.*—The authority of the Secretary to enter into commitments to guarantee such insured mortgages shall be effective for any fiscal year only to the extent that the aggregate original principal loan amount under such mortgages, any part of which is guaranteed, does not exceed the amount specified in appropriations Acts for such fiscal year.

(3) *FIDUCIARY RESPONSIBILITY.*—The Secretary has a responsibility to ensure that the Mutual Mortgage Insurance Fund remains financially sound.

(4) *ANNUAL INDEPENDENT ACTUARIAL STUDY.*—The Secretary shall provide for an independent actuarial study of the Fund to be conducted annually, which shall analyze the financial position of the Fund. The Secretary shall submit a report annually to the Congress describing the results of such study and assessing the financial status of the Fund. The report shall recommend adjustments to underwriting standards, program participation, or premiums, if necessary, to ensure that the Fund remains financially sound.

(5) *QUARTERLY REPORTS.*—During each fiscal year, the Secretary shall submit a report to the Congress for each quarter, which shall specify for mortgages that are obligations of the Fund—

(A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;

(B) the types of loans insured, categorized by risk;

(C) any significant changes between actual and projected claim and prepayment activity;

(D) projected versus actual loss rates; and

(E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

The first quarterly report under this paragraph shall be submitted on the last day of the first quarter of fiscal year 2008, or upon the expiration of the 90-day period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, whichever is later.

(6) *ADJUSTMENT OF PREMIUMS.*—If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

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

(A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

- (B) to minimize the default risk to the Fund and to homeowners;
- (C) to curtail the impact of adverse selection on the Fund;
- and
- (D) to meet the housing needs of the borrowers that the single family mortgage insurance program under this title is designed to serve.

* * * * *

(c) MORTGAGEE REVIEW BOARD.—
 (1) * * *

* * * * *

(7) DEFINITION OF “MORTGAGEE”.—For purposes of this subsection, the term “mortgagee” means—

- (A) a mortgagee, as defined in section 201, approved under this Act;
- [(B) a lender or a loan correspondent approved under title I of this Act;]
- [(C)] (B) a branch office or subsidiary of the mortgagee, lender, or loan correspondent; or
- [(D)] (C) a director, officer, employee, agent, or other person participating in the conduct of the affairs of the mortgagee, lender, or loan correspondent.

* * * * *

[(s)] (e) Whenever the Secretary has taken any discretionary action to suspend or revoke the approval of any mortgagee to participate in any mortgage insurance program under this title, the Secretary shall provide prompt notice of the action and a statement of the reasons for the action to—

(1) * * *

* * * * *

[(4) the Administrator of the Farmers Home Administration;]

(4) the Secretary of Agriculture;

* * * * *

[(e)] (f) APPRAISAL STANDARDS.—(1) * * *

* * * * *

(3) DIRECT ENDORSEMENT PROGRAM.—

- (A) * * *
- (B) Any appraisal conducted pursuant to subparagraph (A) shall be conducted by an individual who complies with the qualifications or standards for appraisers established by the Secretary pursuant to [section 202(e) of the National Housing Act] this subsection.

* * * * *

INSURANCE OF MORTGAGES

SEC. 203. (a) * * *

(b) To be eligible for insurance under this section a mortgage shall comply with the following:

(1) Have been made to[, and be held by,] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly].

(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount—

[(A) not to exceed the lesser of—

[(i) in the case of a 1-family residence, 95 percent of the median 1-family house price in the area, as determined by the Secretary; in the case of a 2-family residence, 107 percent of such median price; in the case of a 3-family residence, 130 percent of such median price; or in the case of a 4-family residence, 150 percent of such median price; or

[(ii) 87 percent of the dollar amount limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size; except that the dollar amount limitation in effect for any area under this subparagraph may not be less than the greater of the dollar amount limitation in effect under this section for the area on the date of the enactment of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act for Fiscal Year 1999 or 48 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size; and

[(B) not to exceed an amount equal to the sum of—

[(i) the amount of the mortgage insurance premium paid at the time the mortgage is insured; and

[(ii) in the case of—

[(I) a mortgage for a property with an appraised value equal to or less than \$50,000, 98.75 percent of the appraised value of the property;

[(II) a mortgage for a property with an appraised value in excess of \$50,000 but not in excess of \$125,000, 97.65 percent of the appraised value of the property;

[(III) a mortgage for a property with an appraised value in excess of \$125,000, 97.15 percent of the appraised value of the property; or

[(IV) notwithstanding subclauses (II) and (III), a mortgage for a property with an appraised value in excess of \$50,000 that is located in an area of the State for which the average closing cost exceeds 2.10 percent of the average, for the State, of the sale price of properties located in the State for which mortgages have been executed, 97.75 percent of the appraised value of the property.]

(A) not to exceed the lesser of—

(i) in the case of a 1-family residence, the median 1-family house price in the area, as determined by the Secretary; and in the case of a 2-, 3-, or 4-family residence, the percentage of such median price that bears

the same ratio to such median price as the dollar amount limitation in effect under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family residence, respectively, bears to the dollar amount limitation in effect under such section for a 1-family residence; or

(ii) the dollar amount limitation determined under such section 305(a)(2) for a residence of the applicable size;

except that the dollar amount limitation in effect for any area under this subparagraph may not be less than the greater of (I) the dollar amount limitation in effect under this section for the area on October 21, 1998, or (II) 65 percent of the dollar limitation determined under such section 305(a)(2) for a residence of the applicable size; and

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

(i) the amount of the mortgage premium paid at the time the mortgage is insured; and

(ii)(I) except as provided in subclause (II), 97.75 percent of the appraised value of the property; or

(II) in the case only of a mortgage described in subsection (c)(3), the appraised value of the property, plus any initial service charges, appraisal, inspection, and other fees in connection with the mortgage as approved by the Secretary.

For purposes of the preceding sentence, the term “area” means a metropolitan statistical area as established by the Office of Management and Budget; and the median 1-family house price for an area shall be equal to the median 1-family house price of the county within the area that has the highest such median price. [For purposes of this paragraph, the term “average closing cost” means, with respect to a State, the average, for mortgages executed for properties that are located within the State, of the total amounts (as determined by the Secretary) of initial service charges, appraisal, inspection, and other fees (as the Secretary shall approve) that are paid in connection with such mortgages. Notwithstanding any other provision of this section, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, such mortgage shall not exceed 90 per centum of the entire appraised value of the property as of the date the mortgage is accepted for insurance, unless (i) the dwelling was completed more than one year prior to the application for mortgage insurance, or (ii) the dwelling was approved for guaranty, insurance, or a direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction, or (iii) the dwelling is covered by a consumer protection or warranty plan acceptable to the Secretary and satisfies all requirements which would have been applicable if such dwelling had been approved for mortgage insurance prior to the beginning of construction. As used herein, the term “veteran” means any person who served on active duty in the armed forces of the United States for a period of not less than 90 days (or as certified by the Secretary of Defense as having performed extra-hazardous service), and who was discharged or released therefrom under conditions other

than dishonorable, except that persons enlisting in the armed forces after September 7, 1980, or entering active duty after October 16, 1981, shall have their eligibility determined in accordance with section 3103A(d) of title 38, United States Code.】

* * * * *

【Notwithstanding any other provision of this paragraph, the Secretary may not insure, or enter into a commitment to insure, a mortgage under this section that is executed by a first-time homebuyer and that involves a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in excess of 97 percent of the appraised value of the property unless the mortgagor has completed a program of counseling with respect to the responsibilities and financial management involved in homeownership that is approved by the Secretary; except that the Secretary may, in the discretion of the Secretary, waive the applicability of this requirement.】

Notwithstanding any other provision of this paragraph, the amount that may be insured under this section may be increased by up to 25 percent if such increase is necessary to account for the increased cost of the residence due to an increased need of space in the residence for locating and operating a child care facility (as such term is defined in section 201) within the residence, but only if a valid license or certificate of compliance with regulations described in section 201(g)(2) has been issued for such facility as of the date of the execution of the mortgage, and only if such increase in the amount insured is proportional to the amount of space of such residence that will be used for such facility.

(3) Have a maturity satisfactory to the Secretary, but not to exceed, in any event, 【thirty-five years (or thirty years if such mortgage is not approved for insurance prior to construction)】 forty years from the date of the beginning of amortization of the mortgage.

* * * * *

【(9) Be executed by a mortgagor who shall have paid on account of the property (except with respect to a mortgage executed by a mortgagor who is a veteran) at least 3 per centum, or such larger amount as the Secretary may determine, of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured) in cash or its equivalent: *Provided*, That with respect to a mortgage executed by a mortgagor who is sixty years of age or older as of the date the mortgage is endorsed for insurance or with respect to a mortgage meeting the requirements of subsection (i) of this section, or with respect to a mortgage covering a single-family home being purchased under the low-income housing demonstration project assisted pursuant to section 207 of the Housing Act of 1961, or with respect to a mortgage covering a housing unit in connection with a homeownership program under the Homeownership and Opportunity Through HOPE Act, the mortgagor's payment required by this subsection may be paid by a corporation or person other than

the mortgagor under such terms and conditions as the Secretary may prescribe: *Provided further, That for*】

(9) *Except in the case of a mortgage described in subsection (c)(3), be executed by a mortgagor who shall have paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured). For purposes of this paragraph, the Secretary shall consider as cash or its equivalent any amounts borrowed from a family member (as such term is defined in section 201), subject only to the requirements that, in any case in which the repayment of such borrowed amounts is secured by a lien against the property, such lien shall be subordinate to the mortgage and the sum of the principal obligation of the mortgage and the obligation secured by such lien may not exceed 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection, and other fees in connection with the mortgage.*

(10) *BORROWER PROTECTIONS FOR CERTAIN MORTGAGES.—Except as otherwise specifically provided in this paragraph, in the case of any mortgage referred to in paragraph (2)(C) or (3) of subsection (c), the following requirements shall apply:*

(A) *DISCLOSURES.—*

(i) *REQUIRED DISCLOSURES.—In addition to any disclosures that are otherwise required by law or by the Secretary for single family mortgages, the mortgagee shall disclose to the mortgagor the following information:*

(I) *AT APPLICATION.—At the time of application for the loan involved in the mortgage—*

(aa) *a list of counseling agencies approved by the Secretary in the area of the applicant; and*

(bb) *if the mortgagor is not provided counseling in accordance with subparagraph (B), the information required under subclauses (I), (II), and (III) of subparagraph (B)(iii) to be provided to the mortgagor.*

(II) *AT EXECUTION.—At the time of entering into the mortgage—*

(aa) *the terms of the mandatory 5-year payment incentive required under subsection (c)(7)(A)(ii); and*

(bb) *a statement that the mortgagor has a right under contract to loss mitigation.*

(III) *OTHER INFORMATION.—Any other additional information that the Secretary determines is appropriate to ensure that the mortgagor has received timely and accurate information about the program under paragraph (2)(C) or (3) of subsection (c), as applicable.*

(ii) *PENALTIES FOR FAILURE TO PROVIDE REQUIRED DISCLOSURES.—The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide any disclosure required under clause (i).*

(iii) *NO PRIVATE RIGHT OF ACTION.*—This subparagraph shall not create any private right of action on behalf of the mortgagor.

(B) *COUNSELING.*—

(i) *ALLOWABLE REQUIREMENT.*—The Secretary may, in the discretion of the Secretary, require that the mortgagor shall have received counseling that complies with the requirements of this subparagraph.

(ii) *TERMS OF COUNSELING.*—Counseling under this subparagraph shall be provided—

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

(II) by a third party (other than the mortgagee) who is approved by the Secretary, with respect to the responsibilities and financial management involved in homeownership;

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

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

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

(I) information regarding homeownership options other than a mortgage that is subject to this paragraph, other zero- or low-downpayment mortgage options that are or may become available to the mortgagor, the financial implications of entering into a mortgage (including a mortgage subject to this paragraph), and any other information that the Secretary may require;

(II) a written disclosure that sets forth the amount and the percentage by which a property with a mortgage that is subject to this paragraph must appreciate for the mortgagor to recover the principal amount of the mortgage, the costs financed under the mortgage, and the estimated costs involved in selling the property, if the mortgagor were to sell the property on each of the second, fifth, and tenth anniversaries of the mortgage; and

(III) a written disclosure, as the Secretary shall require, that specifies the effective cost to a mortgagor of borrowing the amount by which the maximum amount that could be borrowed under a mortgage that is referred to in subsection (c)(3) exceeds the maximum amount that could be borrowed under a mortgage insured under this subsection that is not a mortgage referred to in such subsection, based on average closing costs with respect to such amount, as determined by the Secretary; such cost shall be expressed as an annual interest rate over the first 5 years of a mortgage; the disclosure required under this subclause may

be provided in conjunction with the notice required under subsection (f).

(iv) 2- AND 3-FAMILY RESIDENCES.—In the case of a mortgage involving a 2- or 3-family residence, counseling under this subparagraph shall include (in addition to the information required under clause (iii)) information regarding real estate property management.

(C) NOTICE OF FORECLOSURE PREVENTION COUNSELING AVAILABILITY.—

(i) WRITTEN AGREEMENT.—To be eligible for insurance under this subsection, the mortgagee shall provide the mortgagor, at the time of the execution of the mortgage, a written agreement which shall be signed by the mortgagor and under which the mortgagee shall provide notice described in clause (ii) to a housing counseling entity that has agreed to provide the notice and counseling required under clause (iii) and is approved by the Secretary.

(ii) NOTICE TO COUNSELING AGENCY.—The notice described in this clause, with respect to a mortgage, is notice, provided at the earliest time practicable after the mortgagor becomes 60 days delinquent with respect to any payment due under the mortgage, that the mortgagor is so delinquent and of how to contact the mortgagor. Such notice may only be provided once with respect to each delinquency period for a mortgage.

(iii) NOTICE TO MORTGAGOR.—Upon notice from a mortgagee that a mortgagor is 60 days delinquent with respect to payments due under the mortgage, the housing counseling entity shall at the earliest time practicable notify the mortgagor of such delinquency, that the entity makes available foreclosure prevention counseling that may assist the mortgagor in resolving the delinquency, and of how to contact the entity to arrange for such counseling.

(iv) ABILITY TO CURE.—Failure to provide the written agreement required under clause (i) may be corrected by sending such agreement to the mortgagor not later than the earliest time practicable after the mortgagor first becomes 60 days delinquent with respect to payments due under the mortgage. Insurance provided under this subsection may not be terminated and penalties for such failure may not be prospectively or retroactively imposed if such failure is corrected in accordance with this clause.

(v) PENALTIES FOR FAILURE TO PROVIDE AGREEMENT.—The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide the written agreement required under clause (i).

(vi) LIMITATION ON LIABILITY OF MORTGAGEE.—A mortgagee shall not incur any liability or penalties for any failure of a housing counseling entity to provide notice under clause (iii).

(vii) *NO PRIVATE RIGHT OF ACTION.*—This subparagraph shall not create any private right of action on behalf of the mortgagor.

(viii) *DELINQUENCY PERIOD.*—For purposes of this subparagraph, the term “delinquency period” means, with respect to a mortgage, a period that begins upon the mortgagor becoming delinquent with respect to payments due under the mortgage and ends upon the first subsequent occurrence of such payments under the mortgage becoming current or the property subject to the mortgage being foreclosed or otherwise disposed of.

(c)(1) * * *

[(2) Notwithstanding any other provision of this section, each mortgage secured by a 1- to 4-family dwelling that is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) and each mortgage that is insured under subsection (k) or section 234(c), shall be subject to the following requirements:]

(2) *STANDARD-RISK MORTGAGES.*—In the case of any mortgage that is secured by a 1- to 4-family dwelling, is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section or is insured under subsection (k) of this section or section 234(c), for which the mortgagor has paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary’s estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured), and that involves a principal obligation that complies with subclause (I) of subsection (b)(2)(B)(ii), the following requirements shall apply:

(A) * * *

* * * * *

(C) *HIGHER-RISK BORROWERS.*—The Secretary shall establish underwriting standards that provide for insurance under this section of mortgages described in the matter in this paragraph preceding subparagraph (A) for which the mortgagor has a credit score equivalent to a FICO score of less than 560, and may insure, and make commitments to insure, such mortgages. Such underwriting standards shall include establishing and collecting premium payments that comply with the requirements of this paragraph, except that notwithstanding subparagraph (A), the single premium payment collected at the time of insurance may be established in an amount that does not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.

(3) *ZERO- AND LOWER-DOWNPAYMENT BORROWERS.*—

(A) *APPLICABILITY.*—This paragraph shall apply to any mortgage that—

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

(ii)(I) is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section; or

(II) is insured under subsection (k) of this section or section 234(c);

(iii) is executed by a mortgagor who is a first-time homebuyer; and

(iv)(I) involves a principal obligation that does not comply with subclause (I) of subsection (b)(2)(B)(ii) (relating to loan-to-value ratio); or

(II) is executed by a mortgagor who has not paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured).

(B) *UP-FRONT PREMIUMS.*—The amount of any single premium payment collected at the time of insurance may not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.

(C) *ANNUAL PREMIUMS.*—Except as provided in subparagraph (D), the amount of any annual premium payment collected may not exceed 0.75 percent of the remaining insured principal obligation of the mortgage.

(D) *ANNUAL REDETERMINATION OF PREMIUM RATE.*—The Secretary shall redetermine the rates of premiums not less than once every 12 months.

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

(A) *IN GENERAL.*—The Secretary may establish a mortgage insurance premium structure involving a single premium payment collected prior to the insurance of the mortgage or annual payments (which may be collected on a periodic basis), or both, subject to the requirements of subparagraph (B) and paragraph (5). Under such structure, the rate of premiums for such a mortgage may vary according to the credit risk associated with the mortgage and the rate of any annual premium for such a mortgage may vary during the mortgage term as long as the basis for determining the variable rate is established before the execution of the mortgage. The Secretary may change a premium structure established under this subclause but only to the extent that such change is not applied to any mortgage already executed.

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

(C) *ANNUAL REPORT REGARDING PREMIUMS.*—The Secretary shall submit a report to the Congress annually setting forth the rate structures and rates established and altered pursuant to this paragraph during the preceding 12-month period and describing how such rates were determined.

(5) *CONSIDERATIONS FOR PREMIUM STRUCTURE.*—When establishing premiums for mortgages referred to in paragraph (2)(C), establishing premiums pursuant to paragraph (3), establishing a premium structure under paragraph (4), and when changing such a premium structure, the Secretary shall consider the following:

(A) The effect of the proposed premiums or structure on the Secretary's ability to meet the operational goals of the Mutual Mortgage Insurance Fund as provided in section 202(a).

(B) Underwriting variables.

(C) *The extent to which new pricing under the proposed premiums or structure has potential for acceptance in the private market.*

(D) *The administrative capability of the Secretary to administer the proposed premiums or structure.*

(E) *The effect of the proposed premiums or structure on the Secretary's ability to maintain the availability of mortgage credit and provide stability to mortgage markets.*

(6) **AUTHORITY TO BASE PREMIUM PRICES ON PRODUCT RISK.—**

(A) **AUTHORITY.**—*In establishing premium rates under paragraphs (2), (3), and (4), the Secretary may provide for variations in such rates according to the credit risk associated with the type of mortgage product that is being insured under this title, which may include providing that premium rates differ between fixed-rate mortgages and adjustable-rate mortgages insured pursuant to section 251, between mortgages insured pursuant to section 203(b) and mortgages for condominiums insured pursuant to section 234, and between such other products as the Secretary considers appropriate.*

(B) **LIMITATION.**—*Subparagraph (A) may not be construed to authorize the Secretary to establish, for any mortgage product, any mortgage insurance premium rate that does not comply with the requirements and limitations under paragraphs (2) through (5).*

(7) **PAYMENT INCENTIVES.—**

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

(i) **DISCRETIONARY 3-YEAR PAYMENT INCENTIVE.**—*The Secretary may provide, in the discretion of the Secretary, that the payment incentive under subparagraph (B) shall apply upon the expiration of the 3-year period beginning upon the time of insurance of such a mortgage.*

(ii) **MANDATORY 5-YEAR PAYMENT INCENTIVE.**—*The Secretary shall provide that the payment incentive under subparagraph (B) applies upon the expiration of the 5-year period beginning upon the time of insurance of such a mortgage.*

(B) **PAYMENT INCENTIVE.**—*In the case of any mortgage to which the payment incentive under this subparagraph applies, if, during the period referred to in clause (i) or (ii) of subparagraph (A), as applicable, all mortgage insurance premiums for such mortgage have been paid on a timely basis, upon the expiration of such period the Secretary shall—*

(i) *reduce the amount of the annual premium payments otherwise due thereafter under such mortgage—*

(I) *in the case of a mortgage referred to in paragraph (3), to an amount that does not exceed the amount of the maximum annual premium allowable under paragraph (2)(B); and*

(II) *in the case of a mortgage referred to in paragraph (2)(C), to an amount that does not exceed the amount of the annual premium payable at the time of insurance of the mortgage on a mortgage of the same product type having the same terms, but for which the*

mortgagor has a credit score equivalent to a FICO score of 560 or more; and

(ii) in the case only of a mortgage referred to in paragraph (2)(C), refund to the mortgagor, upon payment in full of the obligation of the mortgage, any amount by which the single premium payment for such mortgage collected at the time of insurance exceeded the amount of the single premium payment chargeable under paragraph (2)(A) at the time of insurance for a mortgage of the same product type having the same terms, but for which the mortgagor has a credit score equivalent to a FICO score of 560 or more.

* * * * *

(h) Notwithstanding any other provision of this section, the Secretary is authorized to insure any mortgage which involves a principal obligation not in excess of the applicable maximum dollar limit under subsection (b) and not in excess of 100 per centum of the appraised value of a property *plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary*, upon which there is located a dwelling designed principally for a single-family residence, where the mortgagor establishes (to the satisfaction of the Secretary) that his home which he occupied as an owner or as a tenant was destroyed or damaged to such an extent that reconstruction is required as a result of a flood, fire, hurricane, earthquake, storm, or other catastrophe, which the President, pursuant to Robert T. Stafford Disaster Relief and Emergency Assistance Act, has determined to be a major disaster. **【**In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 18 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for single family residence, and not in excess of 100 percent of the appraised value.**】** *In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 36 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, and not in excess of 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.*

【(i) The Secretary is authorized to insure under this section, any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection, which involves a principal obligation not in excess of 75 per centum of the limit on the principal obligation applicable to a one-family residence under subsection (b) of this section and not in excess of 97 per centum (or, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, unless the construction

of the dwelling was completed more than one year prior to the application for mortgage insurance or the dwelling was approved for guaranty, insurance, or direct loan under chapter 37 of title 38, United States Code, prior to the beginning of construction, 90 per centum) of the appraised value of a property located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas, upon which there is located a dwelling designed principally for a single-family residence: *Provided*, That the Secretary finds that the property with respect to which the mortgage is executed is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income particularly in suburban and outlying areas or small communities: *Provided further*, That under the foregoing provisions of this subsection the Secretary is authorized to insure any mortgage issued with respect to a farm home on a plot of land two and one-half or more acres in size adjacent to an all-weather public road.】

* * * * *

(k)(1) The Secretary may, in order to assist in the rehabilitation of one- to four-family structures used primarily for residential purposes, insure and make commitments to insure rehabilitation loans (including advances made during rehabilitation) made by financial institutions [on and after 180 days following the date of enactment of the Housing and Community Development Amendments of 1978]. Such commitments to insure and such insurance shall be made upon such terms and conditions which the Secretary may prescribe and which are consistent with the provisions of subsections (b), (c), (e), (i) and (j) of this section, except as modified by the provisions of this subsection.

* * * * *

(5) All funds received and all disbursements made pursuant to the authority established by this subsection shall be credited or charged as appropriate, to the [General Insurance Fund] *Mutual Mortgage Insurance Fund*, and insurance benefits shall be paid in cash out of such Fund or in debentures executed in the name of such Fund. Insurance benefits paid with respect to loans secured by a first mortgage and insured under this subsection shall be paid in accordance with section 204【, except that all references in section 204 to the Mutual Mortgage Insurance Fund shall be construed as referring to the General Insurance Fund】. Insurance benefits paid with respect to loans secured by a mortgage other than a first mortgage and insured under this subsection shall be paid in accordance with paragraphs (6) and (7) of section 220(h), except that reference to “this subsection” in such paragraphs shall be construed as referring to this subsection.

* * * * *

【(o)(1) Notwithstanding any other provision of this section or any other section of this title, the Secretary is authorized to insure, and to commit to insure, under subsection (b) of this section as modified by this subsection a mortgage which meets both the requirements of this subsection and such criteria as the Secretary by regulation

may prescribe to further the purpose of this subsection, in any community where the Secretary determines that—

【(A) temporary adverse economic conditions exist throughout the community as a direct and primary result of outstanding claims to ownership of land in the community by an American Indian tribe, band, or Nation;

【(B) such ownership claims are reasonably likely to be settled, by court action or otherwise;

【(C) as a direct result of the community's temporarily impaired economic condition, owner occupants of homes in the community have been involuntarily unemployed or underemployed and have thus incurred substantial reductions in income which significantly impair their ability to continue timely payment of their mortgages;

【(D) as a result, widespread mortgage foreclosures and distress sales of homes are likely in the community; and

【(E) fifty or more individual homeowners were joined as parties defendant or were members of a defendant class prior to December 31, 1976, in litigation involving claims to ownership of land in the community by an American Indian tribe, band, or Nation.

【(2) A mortgage shall be eligible for insurance under subsection (b) of this section as modified by this subsection without regard to limitations in this title relating to a mortgagor's reasonable ability to pay, economic soundness, marketability of title, or any other statutory restriction which the Secretary determines is contrary to the purpose of this subsection, but only if the mortgagor is an owner of a home in a community specified in paragraph (1) who, as a direct result of the community's temporarily impaired economic condition, has been involuntarily unemployed or underemployed and has thus incurred a substantial reduction in income which significantly impairs the owner's ability to continue timely payment of the mortgage. The Secretary is authorized to encourage or afford directly to or on behalf of mortgagors whose mortgages are insured under subsection (b) as modified by this subsection forbearance, assignment of mortgages to the Secretary, or such other relief as the Secretary deems appropriate and consistent with the purpose of this subsection. The Secretary, in connection with any mortgage insured under subsection (b) as modified by this subsection, shall have all statutory powers, authority, and responsibilities which the Secretary has with respect to other mortgages insured under subsection (b), except that the Secretary may modify such powers, authority, or responsibilities where the Secretary deems such action to be necessary because of the special nature of the mortgage involved. Notwithstanding section 202 of this title, the insurance of a mortgage under subsection (b) of this section as modified by this subsection shall be the obligation of the Special Risk Insurance Fund created pursuant to section 238 of this title.

【(p)(1) Notwithstanding any other provision of this section or any other section of this title, the Secretary is authorized to insure, and to commit to insure, under subsection (b) of this section as modified by this subsection a mortgage which meets both the requirements of this subsection and such criteria as the Secretary by regulation shall prescribe to further the purpose of this subsection, in any community where the Secretary determines that—

[(A) temporary adverse economic conditions exist throughout the community as a direct and primary result of outstanding claims to ownership of land in the community by an American Indian tribe, band, or nation;

[(B) such ownership claims are reasonably likely to be settled, by court action or otherwise; and

[(C) fifty or more individual homeowners were joined as parties defendant or were members of a defendant class prior to April 1, 1980, in litigation involving claims to ownership of land in the community by an American Indian tribe, band, group, or nation pursuant to a dispute involving the Articles of Confederation, Trade and Intercourse Act of 1790, or any similar State or Federal law.

[(2) A mortgage shall be eligible for insurance under subsection (b) of this section as modified by this subsection without regard to limitations in this title relating to marketability of title, or any other statutory restriction which the Secretary determines is contrary to the purpose of this subsection, but only if the mortgagor is an owner of a home in a community specified in paragraph (1). The Secretary, in connection with any mortgage insured under subsection (b) as modified by this subsection, shall have all statutory powers, authority, and responsibilities which the Secretary has with respect to other mortgages insured under subsection (b), except that the Secretary may modify such powers, authority, or responsibilities where the Secretary deems such action to be necessary because of the special nature of the mortgage involved. Notwithstanding section 202 of this title, the insurance of a mortgage under subsection (b) of this section as modified by this subsection shall be the obligation of the Special Risk Insurance Fund created pursuant to section 238 of this title.

[(q)(1) Notwithstanding any other provision of this section or any other section of this title, the Secretary shall insure and commit to insure, under subsection (b) as modified by this subsection, any mortgage secured by property located on land that—

[(A) is within the Allegany Reservation of the Seneca Nation of New York Indians; and

[(B) is subject to a lease entered into for a term of 99 years pursuant to the Act of February 19, 1875 (Chapter 90; 18 Stat. 330) and the Act of September 30, 1890 (Chapter 1132; 26 Stat. 558).

[(2) A mortgage shall be eligible for insurance under subsection (b) as modified by this subsection without regard to limitations in this title relating to marketability of title or any other statutory restriction that the Secretary determines is contrary to the purpose of this subsection.

[(3) The Secretary, in connection with any mortgage insured under subsection (b) as modified by this subsection, shall have all statutory powers, authority, and responsibilities that the Secretary has with respect to other mortgages insured under subsection (b), except that the Secretary may modify such powers, authority, or responsibilities if the Secretary determines such action to be necessary because of the special nature of the mortgage involved.

[(4) Notwithstanding section 202, the insurance of a mortgage under subsection (b) as modified by this subsection shall be the obligation of the Special Risk Insurance Fund created in section 238.]

* * * * *
 (u)(1) * * *

(2) For purposes of this subsection—

(A) the term “area” [shall have the meaning given the term under subsection (b)(2);] *means a metropolitan statistical area as established by the Office of Management and Budget;*

* * * * *
 (v) [Notwithstanding section 202 of this title, the] *The* insurance of a mortgage under this section in connection with the assistance provided under section 8(y) of the United States Housing Act of 1937 shall be the obligation of the [General Insurance Fund created pursuant to section 519 of this title. The provisions of subsections (a) through (h), (j), and (k) of section 204 shall apply to such mortgages, except that (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, and (2) any excess amounts described in section 204(f)(1) shall be retained by the Secretary and credited to the General Insurance Fund. The report required under this subsection shall include the report required under section 540(c) and the report required under section 205(g).] *Mutual Mortgage Insurance Fund*

* * * * *

CLASSIFICATION OF MORTGAGES AND INSURANCE FUND

SEC. 205. (a) * * *

* * * * *

[(g) The Secretary shall provide for an independent actuarial study of the Mutual Mortgage Insurance Fund to be conducted annually and shall report annually to the Congress regarding the financial status of the Fund.

[(h)(1) If, pursuant to the independent annual actuarial study of the Mutual Mortgage Insurance Fund required under subsection (g), the Secretary determines that the Mutual Mortgage Insurance Fund is not meeting the operational goals under paragraph (2), the Secretary may not issue distributions, and may, by regulation, propose and implement any adjustments to the insurance premiums under section 203(c) or section 2103(b) of the Omnibus Budget Reconciliation Act of 1990. Upon determining that a premium change is appropriate under the preceding sentence, the Secretary shall immediately notify Congress of the proposed change and the reasons for the change. Any such premium change shall not take effect before the expiration of the 90-day period beginning upon such notification.

[(2) The operational goals referred to in paragraph (1) shall be—

[(A) maintaining an adequate capital ratio;

[(B) meeting the needs of homebuyers with low downpayments and first-time homebuyers by providing access to mortgage credit;

[(C) minimizing the risk to the Fund and to homeowners from homeowner default; and
[(D) avoiding adverse selection.]

* * * * *

RENTAL HOUSING INSURANCE

SEC. 207. (a) As used in this section—

(1) * * *

(2) The term “mortgagee” [means the original lender under a mortgage, and its successors and assigns, and] *has the meaning given such term in section 201, except that such term also includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named.*

* * * * *

(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

(2) * * *

(3)(A) not to exceed, for such part of the property or projects as may be attributable to dwelling use (excluding exterior and land improvements as defined by the Secretary), \$38,025 per family unit without bedroom, \$42,120 per family unit with one bedroom, \$50,310 per family unit with two bedrooms, \$62,010 per family unit with three bedrooms, and \$70,200 per family unit with four or more bedrooms, or not to exceed \$17,460 per space; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$43,875 per family unit without a bedroom, \$49,140 per family unit with one bedroom, \$60,255 per family unit with two bedrooms, \$75,465 per family unit with three bedrooms, and \$85,328 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [140 percent] *170 percent* in any geographical area where the Secretary finds that cost levels so require and by not to exceed [140 percent] *170 percent*, or [170 percent in high cost areas] *215 percent in high cost areas*, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved.

* * * * *

SEC. 210. FORMS OF ACCEPTABLE IDENTIFICATION.

The Secretary may not insure a mortgage under any provision of this title unless the mortgagor under the mortgage provides personal identification in one of the following forms:

(1) *SOCIAL SECURITY CARD WITH PHOTO IDENTIFICATION CARD OR REAL ID ACT IDENTIFICATION.*—

(A) *A social security card accompanied by a photo identification card issued by the Federal Government or a State Government; or*

(B) *A driver's license or identification card issued by a State in the case of a State that is in compliance with title II of the REAL ID Act of 2005 (title II of division B of Public Law 109-13; 49 U.S.C. 30301 note).*

(2) *PASSPORT.*—*A passport issued by the United States or a foreign government.*

(3) *USCIS PHOTO IDENTIFICATION CARD.*—*A photo identification card issued by the Secretary of Homeland Security (acting through the Director of the United States Citizenship and Immigration Services).*

* * * * *

COOPERATIVE HOUSING INSURANCE

SEC. 213. (a) * * *

(b) To be eligible for insurance under this section a mortgage on any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) of this section shall involve a principal obligation in an amount—

(2)(A) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$41,207 per family unit without a bedroom, \$47,511 per family unit with one bedroom, \$57,300 per family unit with two bedrooms, \$73,343 per family unit with three bedrooms, and \$81,708 per family unit with four or more bedrooms, and not to exceed 98 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *Provided*, That as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$43,875 per family unit without a bedroom, \$49,710 per family unit with one bedroom, \$60,446 per family unit with two bedrooms, \$78,197 per family unit with three bedrooms, and \$85,836 per family unit with four or more bedrooms, as the case may be, to compensate for the higher cost incident to the construction of elevator-type structures of sound standards of construction and design; (B)(i) the Secretary may, by regulation, increase any of the dollar amount limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed [140 percent] 170 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed [140 percent] 170 percent, or [170 percent in high cost areas] 215 percent in high cost areas, where the Secretary determines it necessary on a project-by-

project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved; and (ii) in the case of a mortgagor of the character described in paragraph (3) of subsection (a) the mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed; and (iii) upon the sale of a property or project by a mortgagor of the character described in paragraph (3) of subsection (a) to a nonprofit cooperative ownership housing corporation or trust within two years after the completion of such property or project the mortgage given to finance such sale shall involve a principal obligation in an amount not to exceed the maximum amount computed in accordance with this subparagraph (B)(i)..

* * * * *

REHABILITATION AND NEIGHBORHOOD CONSERVATION HOUSING
INSURANCE

SEC. 220. (a) * * *

* * * * *

(d) To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) * * *

* * * * *

(3) The mortgage shall—

(A) * * *

(B)(ii) * * *

(iii)(I) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$38,025 per family unit without a bedroom, \$42,120 per family unit with one bedroom, \$50,310 per family unit with two bedrooms, \$62,010 per family unit with three bedrooms, and \$70,200 per family unit with four or more bedrooms, except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit not to exceed \$43,875 per family unit without a bedroom, \$49,140 per family unit with one bedroom, \$60,255 per family unit with two bedrooms, \$75,465 per family unit with three bedrooms, and \$85,328 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and (II) with respect to rehabilitation projects involving not more than five family units, the Secretary may by regulation increase by 25 per centum any of the dollar amount limitations in subparagraph (B)(iii)(I) (as such limitations may have been adjusted in accordance with section 206A of this Act) which are applicable to

units with two, three, or four or more bedrooms; (III) the Secretary may, by regulation, increase the dollar amount limitations contained in subparagraph (B)(iii)(I) (as such limitations may have been adjusted in accordance with section **206A** of this Act) by not to exceed 110 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed 140 percent where the Secretary determines it necessary on a project-by-project basis **206A of this Act**) by not to exceed 170 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed 170 percent, or 215 percent in high cost areas, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved; (IV) That nothing contained in this subparagraph (B)(iii)(I) shall preclude the insurance of mortgages covering existing multifamily dwellings to be rehabilitated or reconstructed for the purposes set forth in subsection (a) of this section; (V) the Secretary may further increase any of the dollar limitations which would otherwise apply to such projects by not to exceed 20 per centum if such increase is necessary to account for the increased cost of the project due to the installation therein of a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of this Act) or residential energy conservation measures (as defined in section 210(11)(A) through (G) and (I) of Public Law 95-619) in cases where the Secretary determines that such measures are in addition to those required under the minimum property standards and will be cost-effective over the life of the measure; and

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES

SEC. 221. (a) * * *

* * * * *

(d) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to **[and be held by]** a mortgagee approved by the Secretary **[as responsible and able to service the mortgage properly]**;

* * * * *

(3) if executed by a mortgagor which is a public body or agency (and, except with respect to a project assisted or to be assisted pursuant to section 8 of the United States Housing Act of 1937, which certifies that it is not receiving financial assistance from the United States exclusively pursuant to such Act), a cooperative (including an investor-sponsor who meets such requirements as the Secretary may impose to assure that the consumer interest is protected), or a limited dividend corporation (as defined by the Secretary), or a private nonprofit corporation or association, or other mortgagor approved by the Secretary, and regulated or supervised under Federal or State

laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as in the opinion of the Secretary will effectuate the purposes of this section—

(ii)(I) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$42,048 per family unit without a bedroom, \$48,481 per family unit with one bedroom, 58,469 per family unit with two bedrooms, \$74,840 per family unit with three bedrooms, and \$83,375 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$44,250 per family unit without a bedroom, \$50,724 per family unit with one bedroom, \$61,680 per family unit with two bedrooms, \$79,793 per family unit with three bedrooms, and \$87,588 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; (II) the Secretary may, by regulation, increase any of the dollar amount limitations in subclause (I) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed ~~140 percent~~ *170 percent* in any geographical area where the Secretary finds that cost levels so require and by not to exceed ~~140 percent~~ *170 percent*, or ~~170 percent in high cost areas~~ *215 percent in high cost areas*, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved; and

* * * * *

(4) if executed by a mortgagor and which is approved by the Secretary—

(ii)(I) not exceed, or such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$37,843 per family unit without a bedroom, \$42,954 per family unit with one bedroom, \$51,920 per family unit with two bedrooms, \$65,169 per family unit with three bedrooms, and \$73,846 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$40,876 per family unit without a bedroom, \$46,859 per family unit with one bedroom, \$56,979 per family unit with two bedrooms, \$73,710 per family unit with three bedrooms, and \$80,913 per family unit with four or more bedrooms, as the case may be, to compensate for the high-

er costs incident to the construction of elevator-type structures of sound standards of construction and design; (II) the Secretary may, by regulation, increase any of the dollar limitations in subclause (I) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed ~~140 percent~~ *170 percent* in any geographical area where the Secretary finds that cost levels so require and by not to exceed ~~140 percent~~ *170 percent*, or ~~170 percent in high cost areas~~ *215 percent in high cost areas*, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved;

* * * * *

【MORTGAGOR INSURANCE FOR SERVICEMEN

【SEC. 222. (a) The purpose of this section is to aid in the provision of housing accommodations for servicemen in the Armed Forces of the United States, servicemen in the United States Coast Guard and their families, and servicemen in the United States National Oceanic and Atmospheric Administration and their families by supplementing the insurance of mortgages under section 203 of this title with a system of mortgage insurance specially designed to assist the financing required for the construction or purchase of dwellings by those persons. As used in this section, a “servicemen” means a person to whom the Secretary of Defense (or any officer or employee designated by him), the Secretary of Homeland Security (or any officer or employee designated by him), or the Secretary of Commerce (or any officer or employee designated by him), as the case may be, has issued a certificate hereunder indicating that such person requires housing, is serving on active duty in the Armed Forces of the United States, in the United States Coast Guard, or in the United States National Oceanic and Atmospheric Administration and has served on active duty for more than two years, but a certificate shall not be issued hereunder to any person ordered to active duty for training purposes only. The Secretary of Defense, the Secretary of Homeland Security, and the Secretary of Commerce, respectively, are authorized to prescribe rules and regulations governing the issuance of such certificates and may withhold issuance of more than one such certificate to a serviceman whenever in his discretion issuance is not justified due to circumstances resulting from military assignment, or, in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

【(b) To be eligible for insurance under this section a mortgage shall—

【(1) meet the requirements of section 203(b) or 203(i), or 221(d)(2), or 234(c), except as such requirements are modified by this section;

[(2) involve a dwelling designed principally for a one-family residence or a one-family unit in a condominium project;

[(3) have a principal obligation not in excess of the sum of (i) 97 per centum of \$25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, and (ii) 95 per centum of such value in excess of \$25,000; and

[(4) be executed by a mortgagor who at the time of application for insurance is certified as a "serviceman" and who at the time of insurance is the owner of the property and either occupies the property as a principal residence or certifies that his failure to do so is the result of his military assignment, or in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

[(c) The Secretary may prescribe the manner in which a mortgage may be accepted for insurance under this section. Premiums fixed by the Secretary under section 203 with respect to, or payable during, the period of ownership by a serviceman of the property involved shall not be payable by the mortgagee but shall be paid not less frequently than once each year, upon request of the Secretary to the Secretary of Defense, the Secretary of Homeland Security, or the Secretary of Commerce, as the case may be, from the respective appropriations available for pay and allowances of persons eligible for mortgage insurance under this section. As used herein, "the period of ownership by a serviceman" means the period, for which premiums are fixed, prior to the date that the Secretary of Defense (or any officer or employee or other persons designated by him), the Secretary of Transportation (or any officer or employee or other person designated by him), or the Secretary of Commerce (or any officer or employee or other person designated by him), as the case may be, furnishes the Secretary with a certification that such ownership (as defined by the Secretary), has terminated.

[(d) Any mortgagee under a mortgage insured under this section is entitled to the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203.

[(e) The provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall apply to mortgages insured under this section, except that as applied to those mortgages (1) all references to the "Fund," or "Mutual Mortgage Insurance Fund," shall refer to the General Insurance Fund, and (2) all references to "section 203" shall refer to this section.

[(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property as a principal residence or certifies that his failure to do so is the result of his military assignment, or, in the case of the United States Coast Guard or the United States National Oceanic and Atmospheric Administration, other assignment.

[(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard or in the United States National Oceanic and Atmospheric Administration, leaving a surviving widow as owner of the property, the

period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Homeland Security, or the Secretary of Commerce, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two year period.】

* * * * *

HOUSING FOR ELDERLY PERSONS

SEC. 231. (a) * * *

* * * * *

(c) To be eligible for insurance under this section, a mortgage to provide housing for elderly persons shall—

(2)(A) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvement as defined by the Secretary), \$35,978 per family unit without a bedroom, \$40,220 per family unit with one bedroom, \$48,029 per family unit with two bedrooms, \$57,798 per family unit with three bedrooms, and \$67,950 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$40,876 per family unit without a bedroom, \$46,859 per family unit with one bedroom, \$56,979 per family unit with two bedrooms, \$73,710 per family unit with three bedrooms, and \$80,913 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; (B) the Secretary may, by regulation, increase any of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed **【140 percent】 170 percent** in any geographical area where the Secretary finds that cost levels so require and by not to exceed **【140 percent】 170 percent**, or **【170 percent in high cost areas】 215 percent in high cost areas**, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved; (C) the Secretary may, by regulation, increase any of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed 20 per centum if such increase is necessary to account for the increased cost of the project due to the installation therein of a solar energy system (as defined in subparagraph (3) of the last paragraph of section 2(a) of this Act) or residential energy conservation measures (as defined in section 210(11) (A) through (G) and (I) of Public Law 95-619) in cases where the Secretary determines that

such measures are in addition to those required under the minimum property standards and will be cost-effective over the life of the measure;

* * * * *

MORTGAGE INSURANCE FOR CONDOMINIUMS

SEC. 234. (a) * * *

* * * * *

(c) The Secretary is authorized, in his discretion and under such terms and conditions as he may prescribe (including the minimum number of family units in the project which shall be offered for sale and provisions for the protection of the consumer and the public interest), to insure any mortgage covering a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project if (1) the mortgage meets the requirements of this subsection and of section 203(b), except as that section is modified by this subsection, [and] (2) at least 80 percent of the units in the project covered by mortgages insured under this title are occupied by the mortgagors or comortgagors, and (3) the project has a blanket mortgage insured by the Secretary under subsection (d). Any project proposed to be constructed or rehabilitated after the date of enactment of the Housing Act of 1961 with the assistance of mortgage insurance under this Act, where the sale of family units is to be assisted with mortgage insurance under this subsection, shall be subject to such requirements as the Secretary may prescribe. To be eligible for insurance pursuant to this subsection, a mortgage shall (A) involve a principal obligation in an amount not to exceed the maximum principal obligation of a mortgage which may be insured in the area pursuant to section 203(b)(2) or pursuant to section 203(h) under the conditions described in section 203(h) or pursuant to section 203(h) under the conditions described in section 203(h), and (B) have a maturity satisfactory to the Secretary, but not to exceed, in any event, [thirty-five years] forty years from the date of the beginning of amortization of the mortgages. The mortgage shall contain such provisions as the Secretary determines to be necessary for the maintenance of common areas and facilities and the multifamily project. The mortgagor shall have exclusive right to the use of the one-family unit covered by the mortgage and, together with the owners of other units in the multifamily project, shall have the right to the use of the common areas and facilities serving the project and the obligation of maintaining all such common areas and facilities. The Secretary may require that the rights and obligations of the mortgagor and the owners of other dwelling units in the project shall be subject to such controls as he determines to be necessary and feasible to promote and protect individual owners, the multifamily project and its occupants. For the purposes of this subsection, the Secretary is authorized in his discretion and under such terms and conditions as he may prescribe to permit one-family units and interests in common areas and facilities in multifamily projects covered by mortgages insured under any section of this Act other than

section 213(a) (1) and (2) to be released from the liens of those mortgages.

* * * * *

(e) To be eligible for insurance, a blanket mortgage on any multi-family project of a mortgagor of the character described in subsection (d) shall involve a principal obligation in an amount—

(2) * * *

(3)(A) not to exceed, for such part of the project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$42,048 per family unit without a bedroom, \$48,481 per family unit with one bedroom, \$58,469 per family unit with two bedrooms, \$74,840 per family unit with three bedrooms, and \$83,375 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$44,250 per family unit without a bedroom, \$50,724 per family unit with one bedroom, \$61,680 per family unit with two bedrooms, \$79,793 per family unit with three bedrooms, and \$87,588 per family unit with four or more bedrooms, as the case may be, to compensate for higher costs incident to the construction of elevator-type structures of sound standards of construction and design; (B) the Secretary may, by regulation, increase any of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act) by not to exceed [140 percent] 170 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed [140 percent] 170 percent, or [170 percent in high cost areas] 215 percent in high cost areas, where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved; and

* * * * *

(g) Any mortgagee under a mortgage insured under subsection (c) of this section is entitled to receive the benefits of the insurance as provided in section 204(a) of this Act with respect to mortgages insured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 shall be applicable to the mortgages insured under subsection (c) of this section, except that (1) all references in section 204 of the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund, (2) all references therein to section 203 shall be construed to refer to subsection (c) of this section, and (3) the excess remaining, referred to in section 204(f)(1), shall be retained by the Secretary and credited to the General Insurance Fund.

* * * * *

【SPECIAL MORTGAGE INSURANCE ASSISTANCE

【SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j)(4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

【(b) The Secretary is authorized upon application by the mortgagee to insure under this section not more than 26 percent of the total principal obligation (including such initial service charges, and such appraisal, inspection, and other fees as the Secretary shall approve) of any mortgage meeting the requirements of this section.

【(c) To be eligible for insurance under this section, a mortgage shall—

【(1) meet the requirements of section 203 (except subsection (m)), 220(d)(3)(A), 221(d)(2), 221(h)(5), 221(i), 234(c), or 235(j)(4), except as such requirements are modified by this section;

【(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed \$70,000;

【(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under sections 203, 220, 221, 234, or 235(j)(4), because of his credit standing, debt obligations, total annual income, or income characteristics but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling, prior to and during the 12 months immediately following the purchase of the property, from a community development financial institution under section 103(5) of the Community Development Banking and Financial Institutions Act of 1994: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time;

【(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed

36 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher; and

[(5) require the mortgagor to be subject, if necessary, to a default mitigation effort undertaken by an intermediary community development financial institution under section 103(5) of the Community Development Banking and Financial Institutions Act of 1994, that is acting as a sponsor and pass-through of insurance under section 203 and is approved by the Secretary;

[(6) involve a total principal obligation (including such initial service charges, and such appraisal, inspection, and other fees as the Secretary shall approve) that is not more than 90 percent of the value of the property for which the mortgage is provided; and

[(7) involve a total principal obligation (including such initial service charges, and such appraisal, inspection, and other fees as the Secretary shall approve) in which the mortgagor has equity (as defined by the Secretary) of not less than 10 percent and such equity shall be subordinate to the interest of the Secretary in the mortgaged property.

[(d) The Secretary shall give preference in approving mortgage insurance applications and in providing counseling services under this section (1) to families which are eligible for assistance payments under section 235, (2) to families living in empowerment zones and enterprise communities (as those terms are defined in section 1393(b) of the Internal Revenue Code of 1986 (26 U.S.C. 1393(b)) who are eligible for homeownership assistance, and (3) to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

[(e) The Secretary is authorized to provide, or contract with community development financial institutions under section 103(5) of the Community Development Banking and Financial Institutions Act of 1994 to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a down payment to help them to save an amount necessary for that purpose.

[(f) The aggregate principal balance of the portions of mortgages insured under this section and outstanding at one time shall not exceed \$200,000,000.

[(g) Mortgages insured under this section shall be subject to an insurance premium fee of not more than 1.25 percent of the total mortgage principal obligation (including such initial service charges, and such appraisal, inspection, and other fees as the Secretary shall approve).

[(h) Before insuring a mortgage under this section, the Secretary shall enter into such contracts or other agreements as may be necessary to ensure that the mortgagee or other holder of the mort-

gage shall assume not less than 10 percent and not more than 50 percent of any loss on the insured mortgage, subject to any reasonable limit on the liability of the mortgagee or holder of the mortgage that may be specified in the event of unusual or catastrophic losses that may be incurred by any one mortgagee or mortgage holder.

[(i) No guarantees may be issued under section 306(g) for the timely payment of interest or principal on securities backed, in whole or in part, by mortgages insured under this section.

[(j) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section.]

* * * * *

【GRADUATED PAYMENT AND INDEXED MORTGAGES

【SEC. 245. (a) The Secretary may insure under any provision of this title mortgages and loans with provisions of varying rates of amortization corresponding to anticipated variations in family income or with monthly payments and outstanding balances adjusted by a percentage change in a selected price index to the extent he determines such mortgages or loans (1) have promise for expanding housing opportunities or meet special needs, (2) can be developed to include any safeguards for mortgagors or purchasers that may be necessary to offset special risks of such mortgages, and (3) have a potential for acceptance in the private market. Notwithstanding any other provision of this title, except as provided in subsections (b) and (c) of this section, the principal obligation (including all interest to be deferred and added to principal) of a mortgage insured pursuant to this section may not exceed 97 per centum of the appraised value of the property covered by the mortgage as of the date the mortgage is accepted for insurance.

【(b) Notwithstanding the provisions of subsection (a), the Secretary may insure under any provision of this title a mortgage or loan which meets the requirements of the first sentence of subsection (a) and which has provisions for varying rates of amortization if the Secretary determines—

【(1) the mortgagor could not reasonably afford to purchase the dwelling unit by means of a mortgage insured under subsection (a) or any other mortgage insurance program under this title;

【(2) the principal obligation of the mortgage or loan initially does not exceed the percentage of the initial appraised value of the property specified in section 203(b) of this title as of the date the mortgage or loan is accepted for insurance;

【(3) the principal obligation of the mortgage or loan thereafter (including all interest to be deferred and added to principal) will not at any time be scheduled to exceed 97 per centum of the projected value of the property; and

【(4) the principal obligation of the mortgage thereafter will not exceed 113 per centum of the initial appraised value of the property.

Mortgage insurance under this subsection shall be limited to mortgages executed by mortgagors who, as determined by the Secretary, have not owned dwelling units within the preceding three years.

For the purpose of this subsection, the projected value of the property shall be calculated by the Secretary by increasing the initial appraised value of the property at a rate not in excess of 2½ per centum per annum. The number of mortgages which are insured in accordance with this subsection in any fiscal year may not exceed (A) that number of mortgages the aggregate initial principal obligation of which equals 10 per centum of the aggregate amount of the initial principal obligation of all mortgages secured by properties improved by one- to four-family residences which are insured under this title during the preceding fiscal year, or (B) 50,000 mortgages, whichever is greater. No loan or mortgage may be insured under this subsection after the date of the enactment of the Housing and Community Development Act of 1987, except pursuant to a commitment to insure entered into on or before such date.

[(c) Notwithstanding the provisions of subsection (a), the Secretary may insure under any provision of this title a mortgage or loan that meets the requirements of the first sentence of subsection (a) and that has provisions permitting adjustment of monthly payments and outstanding principal according to changes or percentages of changes in a selected price index if the Secretary determines—

[(1) the principal obligation of the mortgage or loan initially does not exceed the percentage of the initial appraised value of the property specified in section 203(b) as of the date the mortgage or loan is accepted for insurance; and

[(2) the monthly payments and principal obligation of the mortgage or loan thereafter will not at any time be increased at a rate greater than the percentage change in the price index stipulated in the initial mortgage or loan contract.

In carrying out this subsection, the Secretary shall give a priority to mortgages executed by mortgagors who, as determined by the Secretary, have not owned dwelling units within the preceding 3 years. The Secretary shall, not later than March 31, 1984, prescribe regulations establishing guidelines governing mortgages and loans described in this subsection and shall, to the extent practicable, conduct a demonstration program to insure mortgages and loans in accordance with this subsection during fiscal years 1984 and 1985. The aggregate number of mortgages and loans insured under this subsection and section 252 in any fiscal year may not exceed 10 percent of the aggregate number of mortgages and loans insured by the Secretary under this title during the preceding fiscal year.

[(d)(1) The Secretary may insure, under any provision of this title relating to multifamily housing projects, mortgages and loans with provisions of varying rates of amortization corresponding to anticipated variations in project income, to the extent the Secretary determines such mortgages or loans (A) have promise for expanding housing opportunities or meet special needs; (B) can be developed to include any safeguards for mortgagors, tenants, or purchasers that may be necessary to offset special risks of such mortgages; and (C) have a potential for acceptances in the private market.

[(2) Notwithstanding any other provision of this title, the principal obligation of a mortgage or loan insured pursuant to this subsection—

[(A) may not exceed initially the percentage of the initial appraised value or replacement cost of the property involved that is required by the provision of this title under which such property is insured; and

[(B) thereafter (including all interest to be deferred and added to principal) may not at any time be scheduled to exceed 100 percent of the projected value of such property.

[(3) For purposes of this subsection, the projected value of a property shall be calculated by the Secretary by increasing the initial appraised value of such property at a rate not in excess of 2.5 percent per annum.

[(e) Any mortgage or loan insured pursuant to this section which contains or sets forth any graduated mortgage provisions (including but not limited to provisions for adding deferred interest to principal) which are authorized under this section and applicable regulations, or which have been insured on the basis of their being so authorized, shall not be subject to any State constitution, statute, court decree, common law, or rule of public policy (1) limiting the amount of interest which may be charged, taken, received, or reserved, or the manner of calculating such interest (including but not limited to prohibitions against the charging of interest on interest), if such constitution, statute, court decree, common law, or rule would not apply to the mortgage or loan in the absence of such graduated payment mortgage provisions, or (2) requiring a minimum amortization of principal under the mortgage or loan.]

* * * * *

SINGLE-FAMILY MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS

SEC. 247. (a) * * *

* * * * *

(c) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the [General Insurance Fund established in section 519] *Mutual Mortgage Insurance Fund*. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this section, except that [(1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2)] all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured.

* * * * *

SINGLE FAMILY MORTGAGE INSURANCE ON INDIAN RESERVATIONS

SEC. 248. (a) * * *

* * * * *

(f) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the [General Insurance Fund established in section 519] *Mutual Mortgage Insurance Fund*. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this sec-

tion, except that [(1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2)] all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured.

* * * * *

INSURANCE OF HOME EQUITY CONVERSION MORTGAGES FOR ELDERLY HOMEOWNERS

SEC. 255. (a) * * *

(b) DEFINITIONS.—For purposes of this section:

(1) * * *

(2) The terms “mortgagee”, “mortgagor”, “*real estate*,” and “State” have the meanings given such terms in section 201.

* * * * *

(4) MORTGAGE.—The term “mortgage” means a first mortgage or first lien on real estate, in fee simple, *a first or subordinate mortgage or lien* on all stock allocated to a dwelling unit in a residential cooperative housing corporation, or *a first mortgage or first lien* on a leasehold—

(A) * * *

* * * * *

(5) FIRST MORTGAGE.—The term “first mortgage” means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate or *a first or subordinate lien on* all stock allocated to a dwelling unit in a residential cooperative housing corporation, under the laws of the State in which the real estate or dwelling unit is located, together with the credit instruments, if any, secured thereby.

* * * * *

(d) ELIGIBILITY REQUIREMENTS.—To be eligible for insurance under this section, a mortgage shall—

(1) have been made to a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly];

* * * * *

(g) LIMITATION ON INSURANCE AUTHORITY.—[The aggregate number of mortgages insured under this section may not exceed 275,000.] In no case may the benefits of insurance under this section exceed the maximum dollar amount [established under section 203(b)(2) for 1-family residences in the area in which the dwelling subject to the mortgage under this section is located] *limitation established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a 1-family residence.*

* * * * *

(i) PROTECTION OF HOMEOWNER AND LENDER.—

(1) Notwithstanding any other provision of law, and in order to further the purposes of the program authorized in this section, the Secretary shall take any action necessary—

(A) * * *

* * * * *

(C) to provide any mortgagee under this section with funds not to exceed the ~~limitations~~ *limitation* in subsection (g) to which the mortgagee is entitled under the terms of the insured mortgage or ancillary contracts authorized in this section.

(2) Actions under paragraph (1) may include—

(A) disbursing funds to the mortgagor or mortgagee from the ~~General Insurance Fund~~ *Mutual Mortgage Insurance Fund*;

* * * * *

~~(k)~~ *LIMITATION ON ORIGINATION FEES.—The Secretary shall establish limits on the origination fee that may be charged to a mortgagor under a mortgage insured under this section, which limitations shall—*

(1) equal two percent of the original principal limit of the mortgage;

(2) be subject to a minimum allowable amount;

(3) provide that the origination fee may be fully financed with the mortgage; and

(4) include any fees paid to correspondent mortgagees approved by the Secretary or to mortgage brokers.

~~[(k)]~~ *(l) INSURANCE AUTHORITY FOR REFINANCINGS.—*

*(1) * * **

* * * * *

~~[(l)]~~ *(m) WAIVER OF UP-FRONT PREMIUMS FOR MORTGAGES TO FUND LONG-TERM CARE INSURANCE.—*

*(1) * * **

* * * * *

~~[(m)]~~ *(n) FUNDING FOR COUNSELING AND CONSUMER EDUCATION AND OUTREACH.—Of any amounts made available for any of fiscal years 2000 through 2003 for housing counseling under section 106 of the Housing and Urban Development Act of 1968, up to a total of \$1,000,000 shall be available to the Secretary in each such fiscal year, in such amounts as the Secretary determines appropriate, for the following purposes in connection with home equity conversion mortgages insured under this section:*

*(1) * * **

* * * * *

~~(o)~~ *AUTHORITY TO INSURE HOME PURCHASE MORTGAGE.—*

(1) IN GENERAL.—Notwithstanding any other provision in this section, the Secretary may insure, upon application by a mortgagee, a home equity conversion mortgage upon such terms and conditions as the Secretary may prescribe, when the primary purpose of the home equity conversion mortgage is to enable an elderly mortgagor to purchase a 1- to 4-family dwelling in which the mortgagor will occupy or occupies one of the units.

(2) LIMITATION ON PRINCIPAL OBLIGATION.—A home equity conversion mortgage insured pursuant to paragraph (1) shall involve a principal obligation that does not exceed the dollar amount limitation determined under section 305(a)(2) of the

Federal Home Loan Mortgage Corporation Act for a residence of the applicable size.

* * * * *

SEC. 257. PROHIBITION REGARDING FAILURE ON PART OF SERVICER TO MAKE ESCROW PAYMENTS.

In the case of any failure to make any payment as described in section 536(b)(1)(K), the Secretary may not submit any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.

SEC. 258. PILOT PROGRAM FOR AUTOMATED PROCESS FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

(a) *ESTABLISHMENT.*—The Secretary shall carry out a pilot program to establish, and make available to mortgagees, an automated process for providing alternative credit rating information for mortgagors and prospective mortgagors under mortgages on 1- to 4-family residences to be insured under this title who have insufficient credit histories for determining their creditworthiness. Such alternative credit rating information may include rent, utilities, and insurance payment histories, and such other information as the Secretary considers appropriate.

(b) *SCOPE.*—The Secretary may carry out the pilot program under this section on a limited basis or scope, and may consider limiting the program—

- (1) to first-time homebuyers; or
- (2) metropolitan statistical areas significantly impacted by subprime lending.

(c) *LIMITATION.*—In any fiscal year, the aggregate number of mortgages insured pursuant to the automated process established under this section may not exceed 5 percent of the aggregate number of mortgages for 1- to 4-family residences insured by the Secretary under this title during the preceding fiscal year.

(d) *SUNSET.*—After the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, the Secretary may not enter into any new commitment to insure any mortgage, or newly insure any mortgage, pursuant to the automated process established under this section.

* * * * *

TITLE V—MISCELLANEOUS

* * * * *

ESTABLISHMENT OF GENERAL INSURANCE FUND

SEC. 519. (a) * * *

* * * * *

(e) The General Insurance Fund shall not be used for carrying out the provisions of sections [203(b) (except as provided in section 203(v)), 203(h) and 203(i)] 203, *except as determined by the Secretary*, or the provisions of section 213 to the extent that they involve mortgages the insurance for which is the obligation of the Cooperative Management Housing Insurance Fund created by section

213(k), or the provisions of sections 223(e), 233(a)(2), 235, 236 and 237; and nothing in this section shall apply to or affect mortgages, loans, commitments, or insurance under such provisions.

* * * * *

SEC. 536. CIVIL MONEY PENALTIES AGAINST MORTGAGEES, LENDERS, AND OTHER PARTICIPANTS IN FHA PROGRAMS.

(a) IN GENERAL.—

(1) AUTHORITY.—If a mortgagee approved under the Act, a lender holding a contract of insurance under title I, or a principal, officer, or employee of such mortgagee or lender, or other person or entity participating in either an insured mortgage or title I loan transaction under this Act or providing assistance to the borrower in connection with any such loan, including sellers of the real e

(state involved, borrowers, closing agents, title companies, real estate agents, mortgage brokers, appraisers, *servicers (including escrow account servicers)*, loan correspondents and dealers, knowingly and materially violates any applicable provision of subsection (b), the Secretary may impose a civil money penalty on the mortgagee or lender, or such other person or entity, in accordance with this section. The penalty under this paragraph shall be in addition to any other available civil remedy or any available criminal penalty, and may be imposed whether or not the Secretary imposes other administrative sanctions. The penalty shall be in addition to any other available civil remedy or any available criminal penalty, and may be imposed whether or not the Secretary imposes other administrative sanctions.

* * * * *

(b) VIOLATIONS FOR WHICH A PENALTY MAY BE IMPOSED.—

(1) VIOLATIONS.—The Secretary may impose a civil money penalty under subsection (a) for any knowing and material violation by a mortgagee or lender, or other participant referred to in subsection (a), as follows:

(A) * * *

* * * * *

(K) In the case of a mortgage for a 1- to 4-family residence insured under title II that requires the mortgagor to make payments to the mortgagee or other servicer of the mortgage for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, failure on the part of the servicer to make any such payment from the escrow account by the deadline to avoid a penalty with respect to such payment provided for in the mortgage, unless the servicer was not provided notice of such deadline.

(L) In the case of any failure to make any payment as described in subparagraph (K), submitting any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.

* * * * *

(c) AGENCY PROCEDURES.—

(1) * * *

* * * * *

(3) FACTORS IN DETERMINING AMOUNT OF PENALTY.—In determining the amount of a penalty under subsection (a), consideration shall be given to such factors as the gravity of the offense, any history of prior offenses (including those before enactment of this section), ability to pay the penalty, injury to the public, benefits received, deterrence of future violations, and such other factors as the Secretary may determine in regulations to be appropriate. *In the case of any failure to make a payment described in subsection (b)(1)(K) for which the servicer fails to reimburse the mortgagor (A) before the expiration of the 60-day period beginning on the deadline to avoid a penalty with respect to such payment, in the sum of the amount not paid from the escrow account by such deadline and the amount of any penalties accruing to the mortgagor that are attributable to such failure, or (B) in the amount of any attorneys fees incurred by the mortgagor and attributable to such failure, the Secretary shall increase the amount of the penalty under subsection (a) for any such failure to reimburse, unless the Secretary determines there are mitigating circumstances.*

* * * * *

INFORMATION REGARDING EARLY DEFAULTS AND FORECLOSURES ON INSURED MORTGAGES

SEC. 540. (a) * * *

(b) CONTENTS.—

(1) * * *

(2) OTHER INFORMATION.—Information collected under this section shall also include the following:

(A) * * *

* * * * *

(C) *The rates of default and foreclosure for the applicable collection period for mortgages insured pursuant to the programs for mortgage insurance under paragraphs (2)(C) and (3) of section 203(c).*

(D) *Actions taken by the Secretary during the applicable collection period with respect to loss mitigation on mortgages insured pursuant to section 203.*

* * * * *

TITLE VI—DEFENSE HOUSING INSURANCE

SEC. 601. As used in this title—

(a) * * *

(b) The term “mortgagee” [includes the original lender under a mortgage, and his successors and assigns approved by the Secretary] *has the meaning given such term in section 201*; and the term “mortgagor” includes the original borrower under a mortgage and his successors and assigns.

* * * * *

SEC. 603. (a) * * *

(b) To be eligible for insurance under this section a mortgage shall—

(1) have been made to[, and be held by,] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly];

* * * * *

SEC. 611. (a) * * *

(b) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to [and be held by] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly];

* * * * *

TITLE VIII—ARMED SERVICES HOUSING MORTGAGE INSURANCE

SEC. 801. As used in this title—

(a) * * *

(b) The term “mortgagee” [includes the original lender under a mortgage, and his successors and assigns approved by the Secretary] *has the meaning given such term in section 201*; and the term “mortgagor” includes the original borrower under a mortgage, his successors and assigns.

* * * * *

TITLE VI—NATIONAL DEFENSE HOUSING INSURANCE

* * * * *

SEC. 903. (a) * * *

(b) To be eligible for insurance under this section a mortgage shall—

(1) have been made to[, and be held by,] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly];

* * * * *

TITLE XI—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

INSURANCE OF MORTGAGES

SEC. 1101. (a) * * *

(b) To be eligible for insurance under this title, the mortgage shall (1) be executed by a mortgagor that is a group practice unit or organization or other mortgagor, approved by the Secretary, (2) be made to [and held by] a mortgagee approved by the Secretary [as responsible and able to service the mortgage properly], and (3) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabilitation and is designed for use as a group practice facility or medical practice facility which the Secretary finds will be constructed in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of this title. No mortgage shall be insured under this title un-

less it is shown to the satisfaction of the Secretary that the applicant would be unable to obtain the mortgage loan without such insurance on terms comparable to those specified in subsection (c).

* * * * *

DEFINITIONS

SEC. 1106. For the purposes of this title—

(1) * * *

* * * * *

(8) The term “mortgagee” [means the original lender under a mortgage, and his or its successors and assigns, and] *has the meaning given such term in section 201, except that such term also includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee named therein.*

* * * * *

DEFICIT REDUCTION ACT OF 2005

* * * * *

TITLE II—HOUSING AND DEPOSIT INSURANCE PROVISIONS

Subtitle A—FHA Asset Disposition

* * * * *

SEC. 2004. VALUATION OF MULTIFAMILY PROPERTIES IN NON-COMPETITIVE SALES BY HUD TO STATES AND LOCALITIES.

Notwithstanding any other provision of law and with respect to any fiscal year, in determining the market value of any multifamily real property or multifamily loan for any noncompetitive sale to a State or local government entity, the Secretary shall consider, but not be limited to, industry standard appraisal practices, including the cost of repairs needed to bring the property at least to minimum State and local code standards and of maintaining the existing affordability restrictions imposed by the Secretary on the multifamily real property or multifamily loan.

* * * * *

ADDITIONAL VIEWS

H.R. 1852, THE “EXPANDING AMERICAN HOMEOWNERSHIP ACT OF 2007”

The Federal Housing Administration (FHA) was established by the National Housing Act of 1934 to broaden homeownership, protect lending institutions, and stimulate the building industry. Prior to the creation of FHA, home mortgages typically did not exceed 50 percent of the home value or extend beyond five years. At the end of the five years, mortgages had to be repaid or renegotiated. During the Great Depression, lenders were unable or unwilling to renegotiate many loans as they came due. Consequently, many borrowers lost their homes and lenders lost money because property values declined significantly. The FHA program, which is administered by the Department of Housing and Urban Development (HUD), was established to provide stability and liquidity in the market. Its creation fostered the development of the 30-year mortgage product and led to standardized mortgage instruments.

Since 1934, FHA has insured more than 33 million loans and is the largest insurer of mortgages in the world. During the 1940s, FHA helped finance military housing and homes for returning veterans. In the 1980s, FHA helped to steady falling home prices and made it possible for potential homebuyers to obtain financing at a time when the private sector was withdrawing from targeted geographical regions, such as the oil-producing states.

While there is a lack of familiarity with FHA, and a mistaken belief that FHA directly provides mortgage loans, the agency actually only provides mortgage insurance for those loans that meet FHA-established underwriting standards. Moreover, these FHA-insured loans are available to owner-occupants who can demonstrate the ability to repay the loans. In contrast to loans in the conventional market, primarily purchased and meeting guidelines established by Government Sponsored Enterprises (GSEs) or the Jumbo Market, FHA underwriting standards allow for more flexibility in calculating household income and debt/payment ratios. The cost of mortgage insurance is passed along to the homeowner in the form of an up front premium paid at the time of the closing and a second premium charged on an annual basis and typically paid monthly.

FHA is one of the few government agencies to operate entirely based on the fee income derived from its programs, which means the taxpayer does not pay for or subsidize the agency. There are two funds operated by FHA: (1) Mutual Mortgage Insurance Fund (MMIF), and the General Insurance/Special Risk Fund (GI/SRI). Despite FHA's ability to pay for itself, there has been considerable debate on the proper role of a government agency in promoting homeownership, which includes the question of whether the agency should be involved in mortgage insurance activities where a private sector industry exists to meet the need. Arguably, FHA is primarily

used for first-time, inner-city, and rural homebuyers, a market where private sector activity has been thought to lag behind. However, the private sector has argued that it is using new technologies to market its products more aggressively in these typically underserved areas and markets.

Many FHA proponents believe that the program must be reformed in order for it to maintain its relevance in the marketplace. While FHA was previously considered an innovator, its products currently lag behind private-market offerings, often leaving consumers with the sole option of obtaining costly, more risky loans available in the subprime market. The FHA program is also cumbersome and antiquated technologically, leading many lenders to forgo FHA product origination.

On the same day that Housing Subcommittee Chairwoman Maxine Waters and Financial Services Chairman Barney Frank introduced H.R. 1852, the "Expanding American Homeownership Act of 2007," Housing Subcommittee Ranking Member Judy Biggert and Full Committee Ranking Member Spencer Bachus introduced H.R. 1752, also entitled "The Expanding American Homeownership Act of 2007." H.R. 1752 is identical to H.R. 5121, bipartisan legislation that passed the House last Congress by a margin of 415-7.

H.R. 1752 proposes comprehensive reform of FHA's single-family mortgage insurance activities. The legislation would allow FHA to base each borrower's mortgage insurance premiums upon the risk that the borrower poses to the FHA Mortgage Insurance Fund, with slight variations. Under this proposal, mortgage insurance premiums would be based on the borrower's credit history, loan-to-value ratio, debt-to-income ratio, and on FHA's historical experience with similar borrowers. The Administration has stated it believes that this change would decrease premiums for many of FHA's traditional borrowers, thereby increasing access to homeownership.

H.R. 1752 would also amend the National Housing Act to change the factors used to determine the maximum single family mortgage amounts insurable by FHA. Generally, under current law, the maximum insurable mortgage is the lesser of a maximum allowable dollar amount and an amount based on a maximum percentage of appraised value plus the mortgage insurance premium.

Currently, FHA maximum mortgage dollar amounts are established with reference to the median home price for the area in which the property is located. For a single-family residence, the maximum dollar amount that can be insured is 95% of the median home price for the area. For two-, three- and four-family residences the maximum dollar amounts that can be insured are 107%, 130% and 150% of such median price, respectively. These amounts are capped and cannot exceed 87% of the Federal Home Loan Mortgage Corporation Association conforming loan limit, which now stands at \$362,790 for a one-unit property. There is also a statutory "floor" amount below which the maximum mortgage dollar amount cannot be set. The current "floor" is set at 48% of the FHLMC conforming loan limit, now \$200,160 for a one-unit property.

In addition, under H.R. 1752, FHA would be allowed to insure up to the full median house price in the area, as opposed to 95% of the median house price. Moreover, for consistency, the references

to the percentages for two-, three- and four-family residences would be removed from the statute. This proposal strikes the 87% cap, and allows FHA to insure up to 100% of the FHLMC loan limit. Also, the bill increases the “floor” to 65% of the FHLMC conforming loan limit.

Although H.R. 1852 contains many of the reforms included in H.R. 1752, it also features several significant departures from last Congress’s House-passed bill. These important differences include:

- H.R. 1852 limits eligibility for low- and no-downpayment FHA loans to first time homebuyers, while H.R. 1752 allows participation by any FHA-qualified borrower, including those seeking to refinance an existing loan;
- H.R. 1852 includes a directive for FHA to serve high-risk borrowers (those with FICO scores of 560 or lower), while H.R. 1752 includes no such mandate;
- H.R. 1852 caps annual premiums for borrowers making at least a 3% down payment (including borrowers deemed high-risk) at current levels, while H.R. 1752 gives HUD greater flexibility to devise a truly risk-based pricing structure for the FHA program that more closely matches the premiums paid by an individual borrower to that borrower’s credit history; and
- H.R. 1852 authorizes the use of surpluses generated by the FHA program to support the creation of a grant program to fund affordable rental housing and affordable homeownership opportunities for low-income families, while H.R. 1752 contains no such provision.

H.R. 1852’s provisions to divert a portion of FHA surpluses to fund a new, unrelated, and as yet undefined government housing program caused the greatest concern among Republicans during the Committee’s consideration of the legislation. These concerns are shared by the Administration. On May 1, 2007, HUD transmitted a letter to Chairman Frank outlining its views on H.R. 1852. Regarding the affordable housing fund, the letter stated:

H.R. 1852 also includes provisions that would have an adverse budgetary effect. The act would create an Affordable Housing Grant Fund with savings from increased FHA receipts. This is potentially disruptive to the existing appropriations process. All FHA receipts are currently netted against HUD’s spending totals and taken into consideration during appropriations for the Department. The proposal’s details are also undefined and unclear; therefore, the specifics may raise additional policy concerns. In addition, the act revises certain recently enacted asset disposition reforms for FHA multifamily programs.

The bulk of the surplus generated by FHA under H.R. 1852 would result from the negative credit subsidy created by HUD’s collection of premiums under the Home Equity Conversion Mortgage (HECM) program. HECM loans are reverse mortgages that allow homeowners over the age of 62 to tap the equity in their homes in the form of monthly payments, lump sum distributions, or lines of credit. Republicans believe that excess premiums under the HECM program should remain in FHA for the benefit of senior citizens

and other FHA beneficiaries, rather than being redirected to an amorphous affordable housing fund.

To address concerns about the affordable housing fund and the other key differences between the Republican and Democratic approaches to FHA modernization identified above, Republicans offered a series of amendments at the markup of H.R. 1852. Most notably, Mrs. Biggert offered an amendment to substitute the text of H.R. 1752 for H.R. 1852, and Ranking Member Bachus offered an amendment to postpone the new spending authorized by H.R. 1852 to finance the affordable housing fund until such time as Congress stops raiding the Social Security surplus to pay for unrelated government initiatives. Both amendments were defeated, prompting a majority of Committee Republicans to vote against favorably reporting the legislation to the full House.

While we support legislation that modernizes the FHA program and reestablishes it as a viable alternative for low- and middle-income homebuyers, we will continue to oppose legislation that siphons funds away from the FHA program as seed money for an affordable housing agenda that has not been adequately delineated or explained by its proponents.

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 DONALD A. MANZULLO.
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