To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 25, 2013

Mr. JOHNSON of South Dakota (for himself and Mr. CRAPO) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

DECEMBER 19, 2013

Reported by Mr. JOHNSON of South Dakota, with amendments

[to omit the part struck through and insert the part printed in italic]

A BILL

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

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

3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) Short Title.—This Act may be cited as the
5 “FHA Solvency Act of 2013”.


(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Mortgage insurance premiums.
Sec. 3. Prohibition on insuring mortgagors with 2 prior foreclosures.
Sec. 4. Indemnification by FHA mortgagees.
Sec. 5. Review of mortgagee performance.
Sec. 6. Transfer of mortgage servicing duties.
Sec. 7. Easing regulatory burdens; resource guide.
Sec. 8. Improving underwriting standards.
Sec. 9. Ensuring adequate capital levels in the Mutual Mortgage Insurance Fund.
Sec. 10. Stress testing of the Mutual Mortgage Insurance Fund.
Sec. 11. Congressional notification of use of certain authorities with respect to the FHA.
Sec. 12. Establishment of Deputy Assistant Secretary and Chief Risk Officer of FHA.
Sec. 13. Disclosure of events.
Sec. 14. GAO study on disclosures.
Sec. 15. Stabilizing the HECM program.
Sec. 16. Principal limit factor for HECM program.
Sec. 17. Publication of final rules relating to limiting seller contributions towards purchase related expenses.
Sec. 18. GAO study on FHA loan limits.

SEC. 2. MORTGAGE INSURANCE PREMIUMS.

(a) In General.—Section 203(c) of the National Housing Act (12 U.S.C. 1709(c)) is amended—

(1) in paragraph (2)(B)—

(A) in the matter preceding clause (i)—

(i) by striking “may” and inserting “shall”;

(ii) by striking “not exceeding 1.5 percent” and inserting “not less than 0.55 percent”; and

(iii) by inserting “and not exceeding 2.0 percent of such remaining insured
principal balance” before “for the following periods:”; and

(B) in clause (ii), by striking “1.55 percent” and inserting “2.05 percent”; and

(2) by adding at the end the following:

“(3) EVALUATION OF UP-FRONT AND ANNUAL PREMIUMS.—

“(A) ANNUAL REVIEW.—The Secretary shall, at least annually, review—

“(i) the amount of the annual and up-front premiums collected under this subsection; and

“(ii) the expected losses to the Mutual Mortgage Insurance Fund, as such losses are calculated in the annual independent actuarial study required under section 202(a)(4).

“(B) REQUIRED ADJUSTMENTS.—Upon completion of the review required under sub-paragraph (A), the Secretary shall, for all mortgages that are to become an obligation of the Mutual Mortgage Insurance Fund after the date that such review is complete, adjust the annual and up-front premiums applied to such mortgages so that the premiums collected over
the life of such mortgages will exceed the ex-
pected losses of such mortgages to the Fund
plus amounts sufficient to ensure the capital re-
serve ratio remains at the level required under
section 205(f).

“(C) Rule of construction.—Nothing in this paragraph shall permit or be construed
to permit the Secretary to apply different pre-
mium rates to the same mortgage product dur-
ing the same time period based solely on the
characteristics of the mortgagor.”.

(b) Effective Date.—The amendments made by
subsection (a) take effect upon the expiration of the 6-
month period beginning on the date of enactment of this
Act.

SEC. 3. PROHIBITION ON INSURING MORTGAGORS WITH 2
PRIOR FORECLOSURES.

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

“(y) Prohibition on Insuring Mortgagors With
2 Prior Foreclosures.—The Secretary may not insure,
or enter into a commitment to insure, a mortgage under
this section that is executed by a mortgagor who is the mort-
gagor under any two mortgages on 1- to 4-family residen-
tial properties that have been previously foreclosed upon.”.
SEC. 34. INDEMNIFICATION BY FHA MORTGAGEES.

(a) In General.—Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding at the end the following new subsection:

“(i) Indemnification by Mortgagees.—

“(1) In General.—If the Secretary determines that a mortgage executed by a mortgagee approved by the Secretary under the direct endorsement program or insured by a mortgagee pursuant to the delegation of authority under section 256 contains a material defect such that the mortgage should not have been approved or endorsed for insurance, and a loan becomes delinquent within 36 months of such approval or endorsement leading to a default or the Secretary pays a claim within 36 months after such approval or endorsement, the Secretary may require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee delegated authority under section 256 to indemnify the Secretary for the loss, irrespective of whether the violation caused the mortgage default.

“(2) Fraud or Misrepresentation.—If fraud or misrepresentation was involved in connection with the origination, the Secretary shall require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee de-
gated authority under section 256 to indemnify the Secretary for the loss regardless of when an insurance claim is paid, except if the Secretary determines that the fraud or misrepresentation was the result of fraud or misrepresentation committed not by the mortgagee but by a third party and that the mortgagee had implemented adequate quality control and review procedures to deter, detect, and identify such fraud or misrepresentation.

“(3) REQUIREMENTS AND PROCEDURES.—The Secretary shall issue regulations establishing—

“(A) appropriate requirements and procedures governing the indemnification of the Secretary by the mortgagee, including public reporting on—

“(i) the number of loans that—

“(I) were not originated in accordance with the requirements established by the Secretary; and

“(II) involved fraud or misrepresentation in connection with the origination; and

“(ii) the financial impact on the Mutual Mortgage Insurance Fund when indemnification is required; and
“(B) an appeals process, or making any necessary modifications or revisions to an existing appeals process of the Secretary, to appeal any determination of indemnification made by the Secretary pursuant to paragraph (1) or (2).

“(4) APPLICABILITY.—This subsection shall only apply to mortgages insured under this title that were originated on or after the date of enactment of the FHA Solvency Act of 2013.

“(5) DEPOSIT IN THE MUTUAL MORTGAGE INSURANCE FUND.—The Secretary shall deposit any amounts collected pursuant to this subsection in, and for the use of, the Mutual Mortgage Insurance Fund.”.

(b) RULE OF CONSTRUCTION.—Nothing in subsection (a), or the amendment made by subsection (a), shall be construed to supersede, alter, or in any way affect the authorities granted to the Secretary of Housing and Urban Development under section 256 of the National Housing Act (12 U.S.C. 1715z–21).

SEC. 45. REVIEW OF MORTGAGEE PERFORMANCE.

Section 533 of the National Housing Act (12 U.S.C. 1735f–11) is amended—

(1) by amending subsection (a) to read as follows:
“(a) Periodic Review of Mortgagee Performance.—To reduce losses in connection with single family mortgage insurance programs under this Act, at least once a year the Secretary shall review the mortgagees originating or underwriting insured single family mortgages.”;

(2) by amending subsection (b) to read as follows:

“(b) Comparison With Other Mortgagees.—

“(1) In General.—In conducting the review required under subsection (a), for each mortgagee the Secretary shall compare that mortgagee with other mortgagees originating or underwriting insured single family mortgages based on the rates of defaults and claims for insured single family mortgage loans originated or underwritten by that mortgagee. The Secretary may also compare that mortgagee with such other mortgagees based on—

“(A) underwriting quality;

“(B) geographic area served; or

“(C) any commonly used factors the Secretary deems necessary for comparing mortgage default risk, provided that such comparison is of factors that the Secretary would expect to reduce the default risk of mortgages insured by the Secretary.

"
“(2) IMPLEMENTATION.—In carrying out the
comparisons required under paragraph (1), the Sec-
retary shall implement such comparisons by regula-
tion, notice, or mortgagee letter.”; and

(3) in subsection (c)—

(A) by striking paragraph (1) and insert-
ing the following:

“(1) TERMINATION AUTHORITY.—

“(A) IN GENERAL.—Notwithstanding sec-
tion 202(c), the Secretary may terminate the
approval of a mortgagee to originate or under-
write single family mortgages if the Secretary
determines that the mortgage loans originated
or underwritten by the mortgagee present an
unacceptable risk to the insurance funds.

“(B) BASIS FOR DETERMINING UNACCEPT-
ABLE RISK.—For purposes of subparagraph
(A), a mortgagee may present an unacceptable
risk to the insurance funds based on—

“(i) a comparison of any of the fac-
tors set forth in subsection (b); or

“(ii) a determination that the mort-
gagee engaged in fraud or misrepresenta-
tion.”;
(B) by redesignating paragraph (2) as paragraph (3);  

(C) by inserting after paragraph (1) the following:

“(2) APPLICABILITY AND ENFORCEMENT.—The authority granted to the Secretary under paragraph (1) shall—

“(A) apply for any specified area or areas, or on a nationwide basis; and

“(B) be made in accordance with any regulation, notice, or mortgagee letter issued by the Secretary.”; and

(D) in paragraph (3) (as so redesignated)—

(i) by striking “(3 ) The Secretary shall give” and inserting “(3) NOTICE AND RIGHT TO INFORMAL CONFERENCE.—The Secretary shall give”; and

(ii) in the fourth sentence, by striking “excessive default and claim rate” and inserting “finding of an unacceptable risk to the insurance funds”.


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SEC. 6. TRANSFER OF MORTGAGE SERVICING DUTIES.

(a) IN GENERAL.—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. 259. TRANSFER OF MORTGAGE SERVICING DUTIES.

"(a) Transfer of Mortgage Servicing Duties.—

"(1) In General.—For any mortgage or pool of mortgages insured under this title and in accordance with rules promulgated by the Secretary, the Secretary may require the servicer of any such mortgage or pool of mortgages to enter into a subservicing arrangement with any independent specialty servicer approved by the Secretary.

"(2) Rules.—The rules required under paragraph (1) shall—

"(A) set forth with clarity the performance conditions of a servicer that would warrant or necessitate the use of the authority granted to the Secretary under this section;

"(B) require that the performance condition warranting or necessitating the use of such authority be of such type or character so as to materially and adversely affect the Secretary's ability to recover any amounts owed to the Secretary;"
“(C) for purposes of subparagraph (B), define the term ‘materially and adversely affect’;

“(D) require that any servicer whose servicing duties are subject to this section be provided a reasonable amount of time, provided that such time does not present a risk to the Mutual Mortgage Insurance Fund, to rebut, address, or correct any determination of the Secretary regarding a performance condition described under subparagraph (A);

“(E) only permit the Secretary to carry out the authority granted under this section upon expiration of the time-period allowed under subparagraph (D);

“(F) limit the scope of any such authority to mortgages that share similar underwriting, borrower, and performance characteristics;

“(G) ensure that the scope of any such authority is not applied broadly and without further limitation; and

“(H) notwithstanding subparagraphs (B) through (G), provide that a servicer may be subject to more extensive programmatic discipline or correction measures, as determined by the Secretary, if, during any 5-year period—
“(i) the servicing duties that are the subject of the current use of the Secretary’s authority under this section marks the third instance of the use of such authority with respect to the same servicer; and

“(ii) with respect to the prior two separate and individual instances of the use of such authority, the same servicer failed to cure any identified performance conditions or implement corrective measures as determined by the Secretary pursuant to subparagraph (D).”.

(b) APPLICABILITY.—The amendment made by this section shall only apply to mortgages insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.) that were originated on or after the date of enactment of this Act.

SEC. 57. EASING REGULATORY BURDENS; RESOURCE GUIDE.

(a) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Secretary of Housing and Urban Development (in this section referred to as the “Secretary”) shall issue a single, uniform resource guide to inform lenders and servicers of the policies, processes, and procedures applicable to mortgages insured under title
II of the National Housing Act (12 U.S.C. 1707 et seq.), including, but not limited to, the policies, processes, and procedures of the Secretary relating to any indemnification authority of the Secretary, including any criteria the Secretary considers to be a material defect for purposes of executing such authority.

(b) CONTENT.—The resource guide required under subsection (a) shall aggregate all forms, policies, and other related information set forth in any handbooks, mortgagee letters, guidebooks, notices, or bulletins issued by the Secretary.

(c) UPDATING.—Beginning on the expiration of the date set forth under subsection (a), whenever the Secretary issues any new policy, process, or procedure, or revises or otherwise amends any existing policy, process, or procedure contained in the resource guide required under subsection (a), such addition, revision, or amendment shall be issued as an amendment to the resource guide.

(d) PUBLIC AVAILABILITY; WEBSITE ACCESS.—The resource guide required under subsection (a) shall be made available to the public and posted on the website of the Department of the Housing and Urban Development.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.
SEC. 68. IMPROVING UNDERWRITING STANDARDS.

(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Secretary of Housing and Urban Development shall, by mortgagee letter or rule, evaluate and revise as necessary the underwriting standards for mortgages eligible to be insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.), which shall—

(1) be based on empirically derived, demonstrably and statistically sound models; and

(2) include criteria, the evaluation of which has historically resulted in comparatively low rates of delinquency and default during adverse economic conditions.

(b) CRITERIA.—The underwriting standards under subsection (a) shall include an evaluation of—

(1) the current or reasonably expected income and financial resources of a borrower;

(2) the employment status of a borrower, if income used under paragraph (1) is employment income;

(3) the monthly payment of a borrower under the terms of a mortgage;

(4) the monthly payment for any other loan held by the borrower;
(5) the monthly payment for any obligations related to the mortgage;

(6) any other debt obligations of a borrower, including alimony and child support;

(7) the monthly debt-to-income ratio or residual income of a borrower;

(8) the credit history of a borrower; and

(9) any other risk factor or criteria, as determined appropriate by the Secretary.

SEC. 79. ENSURING ADEQUATE CAPITAL LEVELS IN THE MUTUAL MORTGAGE INSURANCE FUND.

Section 205 of the National Housing Act (12 U.S.C. 1711(f)) is amended—

(1) in subsection (f)—

(A) in paragraph (2), by striking “shall ensure that the Fund maintains at least such capital ratio at all times thereafter” and inserting “maintains such ratio thereafter, subject to paragraph (3)”;

(B) by amending paragraph (3) to read as follows:

“(3) The Secretary shall ensure that the Mutual Mortgage Insurance Fund attains a capital ratio of not less than 3.0 percent within 10 years after the date of enactment of the FHA Solvency
Act of 2013, and shall ensure that the Fund main-
tains at least such capital ratio at all times there-
after.”; and

(2) by adding at the end the following:

“(g) Ensuring Adequate Capital Levels in the
Mutual Mortgage Insurance Fund.—

“(1) Effective date.—

“(A) In general.—Except as provided in
subsection (B), this subsection shall take ef-
fect on the date of enactment of the FHA Sol-
vency Act of 2013.

“(B) Exception for imposition of sur-
charges.—

“(i) In general.—Paragraphs
(4)(D), (5)(D), and (6)(D) of this sub-
section—

“(I) shall not have any force or
effect during the 2-year period begin-
ning on the date of enactment of the
FHA Solvency Act of 2013; and

“(II) shall take effect upon the
earlier of—

“(aa) the expiration of the
2-year period set forth under
subclause (I), if in any annual
(bb) the date the independent actuary commissioned to carry out the annual independent actuarial study required under section 202(a)(4) submits the results of the fiscal year 2016 study to the Secretary, if such study finds that the Mutual Mortgage Insurance Fund has not achieved the capital ratio required to be maintained under subsection (f)(1);

(cc) any date occurring after the date set forth under item (bb), but prior to any date set forth under items (dd) or (ee), if in any annual independent actuarial study required under section 202(a)(4) the inde-
pendent actuary commissioned to carry out the study finds—

“(AA) that in comparison to the independent actuarial study submitted in the most recent prior fiscal year, the capital ratio of the Fund has decreased; and

“(BB) the market share for mortgages insured under this title has not been concurrently reduced thus contributing to the decrease in the capital ratio described under subitem (AA);

“(dd) the date on which the Mutual Mortgage Insurance Fund attains a capital ratio of 3.0 percent; or

“(ee) the date that is 10 years after the date of enactment of the FHA Solvency Act of 2013.

“(ii) Rule of Construction.—For purposes of this subsection, any finding
made under item (cc) of clause (i)(II) shall be deemed to mean that the Mutual Mortgage Insurance Fund is undercapitalized pursuant to paragraph (4) and that notwithstanding the provisions of paragraph (4)(D)(iv), the Secretary shall begin or continue to collect any surcharge set forth under paragraph (4)(D), until the earlier of the date on which—

“(I) the next report of the Secretary on the annual independent actuarial study required under section 202(a)(4) finds that in comparison to the independent actuarial study submitted in the most recent prior fiscal year, the capital ratio of the Fund has increased;

“(II) the report of the Secretary required under paragraph (3)(A) finds that in comparison to the independent actuarial study submitted in the most recent prior fiscal year, the capital ratio of the Fund has increased; or

“(III) the Mutual Mortgage Insurance Fund has been designated as
significantly undercapitalized pursuant to paragraph (5) or critically undercapitalized pursuant to paragraph (6) and the premium surcharge applicable to any such designation has taken effect.

“(2) Duty of Chief Risk Officer.—Following the receipt by the Deputy Assistant Secretary and Chief Risk Officer of the final completed report for the fiscal year of the independent actuary commissioned to carry out the annual independent actuarial study required under section 202(a)(4) analyzing the capital ratio of the Mutual Mortgage Insurance Fund, the Deputy Assistant Secretary and Chief Risk Officer shall, as part of that individual’s regularly assigned duties and responsibilities, have a duty to notify, within 24 hours, the Secretary of any failure to maintain the capital ratio of the Mutual Mortgage Insurance Fund as required under subsection (f).

“(3) Studies and reports.—

“(A) For when fund is undercapitalized or significantly undercapitalized.—

If the Mutual Mortgage Insurance Fund is designated as undercapitalized or significantly
undercapitalized pursuant to paragraphs (4) or (5), respectively, then not later than 180 days after date on which the Secretary submits the report on the annual independent actuarial study required under section 202(a)(4), and annually thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary shall provide a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives updating the results of the independent actuarial study required under section 202(a)(4) to reflect the most recently available information and analyzing the financial position of the Fund.

“(B) FOR WHEN FUND IS CRITICALLY UNDERCAPITALIZED.—If the Mutual Mortgage Insurance Fund is designated as critically undercapitalized pursuant to paragraph (6), then not later than the last day of the current fiscal quarter in which the Congress is informed of such events pursuant to paragraph (6)(A), and every fiscal quarter thereafter until such
time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be main-
tained under subsection (f) or is designated as undercapitalized or significantly undercapital-
ized pursuant to paragraphs (4) or (5), respec-
tively, the Secretary shall provide a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Rep-
resentatives updating the results of the inde-
pendent actuarial study required under section 202(a)(4) to reflect the most recently available information and analyzing the financial position of the Fund.

“(C) FAILURE TO COMPLY WITH RE-
QUIRED TIMELINES.—If the Secretary fails to comply with any timeline required under sub-
paragraphs (A) or (B), the Secretary shall ap-
pear before the Committee on Banking, Hous-
ing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives within 7 days of the last day of that deadline to provide testimony explaining the failure to comply.
“(4) Corrective actions when fund is undercapitalized.—

“(A) Notice to Congress.—Not later than 7 days after the date on which the Secretary is informed that the Mutual Mortgage Insurance Fund has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained under subsection (f), the Secretary shall notify the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives of such shortfall, and the exact date on which the Secretary was informed of such shortfall.

“(B) Submission of capital restoration plan.—Not later than 30 days after the date on which notice is provided under subparagraph (A), the Secretary shall submit to the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives a capital restoration
plan, including a timeline for implementation of such plan, to achieve the capital ratio required to be maintained under subsection (f). The plan required under this subparagraph shall be revised annually until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f).

“(C) CONGRESSIONAL TESTIMONY.—Not later than 45 days after the date on which notice is provided under subparagraph (A), and annually thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary shall provide testimony to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the capital status of the Fund and the performance or projected performance of the plan submitted under subparagraph (B).

“(D) IMPOSITION OF PREMIUM SURCHARGE.—
“(i) IN GENERAL.—Notwithstanding any limitation on the amount of any premium payment set forth under section 203(c), in addition to the premiums collected under subparagraphs (A), (B), and (C) of paragraph (2) of section 203(c), if the Mutual Mortgage Insurance Fund is designated as undercapitalized pursuant to this paragraph, the Secretary shall establish and collect annual premium payments for any newly insured mortgage for which the Secretary collects an annual premium payment under section 203(c), except for those mortgages insured pursuant to section 255, in an amount described in clause (ii).

“(ii) AMOUNT OF SURCHARGE.—With respect to a mortgage, the amount described in this clause is 10 basis points of the remaining insured principal balance (excluding the portion of the remaining balance attributable to the premium collected under paragraph (2)(A) of section 203(c) and without taking into account delinquent payments or prepayments).
“(iii) EFFECTIVE DATE.—

“(I) IN GENERAL.—Subject to subclause (II), the requirement to collect the annual premium payment set forth under this subparagraph shall take effect on the date that is 180 days after the date on which notice is provided to Congress under subparagraph (A).

“(II) DELAY.—The effective date of the requirement to collect the annual premium payment set forth under this subparagraph may be extended for an additional 180 days, if prior to the expiration of the initial 180-day time period described under subclause (I), the report of the Secretary required under paragraph (3)(A)—

“(aa) is submitted to Congress; and

“(bb) finds that the Mutual Mortgage Insurance Fund has achieved the capital ratio re-
quired to be maintained under subsection (f).

“(III) Reinstition of sur-
charge.—Notwithstanding sub-
clauses (I) and (II), if the next report
of the Secretary on the annual inde-
pendent actuarial study required
under section 202(a)(4) that is sub-
mitted after the report of the Sec-
retary described in subclause (II)
finds that the Mutual Mortgage In-
surance Fund has not achieved the
capital ratio required to be main-
tained under subsection (f), then the
effective date of the requirement to
collect the annual premium payment
set forth under this subparagraph
shall be the date that is 30 days after
the date on which such report is sub-
mitted to Congress.

“(iv) Cessation of application.—
The Secretary shall not be required to col-
lect the annual premium payment set forth
under this subparagraph, if, at any time
after the date on which such requirement has gone into effect, either—

“(I) the report of the Secretary on the annual independent actuarial study required under section 202(a)(4) finds that the Mutual Mortgage Insurance Fund has achieved the capital ratio required to be maintained under subsection (f);

“(II) the report of the Secretary required under paragraph (3) (A) finds that the Mutual Mortgage Insurance Fund has achieved the capital ratio required to be maintained under subsection (f); or

“(III) the Mutual Mortgage Insurance Fund has been designated significantly undercapitalized pursuant to paragraph (5) or critically undercapitalized pursuant to paragraph (6) and the premium surcharge applicable to any such designation has taken effect.

“(5) CORRECTIVE ACTIONS WHEN FUND IS SIGNIFICANTLY UNDERCAPITALIZED.—
“(A) NOTICE TO CONGRESS.—Not later than 7 days after the date on which the Secretary is informed that the Mutual Mortgage Insurance Fund has a capital ratio of not less than 0 percent but less than 50 percent of the capital ratio required to be maintained under subsection (f), the Secretary shall notify the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives of such shortfall, and the date on which the Secretary was informed of such shortfall.

“(B) SUBMISSION OF REVISED CAPITAL RESTORATION PLAN.—Not later than 30 days after the date on which notice is provided under subparagraph (A), the Secretary shall submit to the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives a capital restoration plan, or a revised capital restoration plan, including a timeline for implementation of such
plan or revised plan, to achieve the capital ratio
required to be maintained under subsection (f).
The plan required under this subparagraph
shall be revised annually until such time as the
Mutual Mortgage Insurance Fund achieves the
capital ratio required to be maintained under
subsection (f).

“(C) CONGRESSIONAL TESTIMONY.—Not
later than 45 days after the date on which no-
tice is provided under subparagraph (A), and
every 180 days thereafter until such time as the
Mutual Mortgage Insurance Fund achieves the
capital ratio required to be maintained under
subsection (f), the Secretary shall provide testi-
mony to the Committee on Banking, Housing,
and Urban Affairs of the Senate and the Com-
mittee on Financial Services of the House of
Representatives on the capital status of the
Fund and the performance or projected per-
formance of the revised capital restoration plan
submitted under subparagraph (B).

“(D) IMPOSITION OF PREMIUM SUR-
CHARGE.—

“(i) IN GENERAL.—Notwithstanding
any limitation on the amount of any pre-
mium payment set forth under section 203(c), in addition to the premiums collected under subparagraphs (A), (B), and (C) of paragraph (2) of section 203(c), if the Mutual Mortgage Insurance Fund is designated as significantly undercapitalized pursuant to this paragraph, the Secretary shall establish and collect annual premium payments for any newly insured mortgage for which the Secretary collects an annual premium payment under section 203(c), except for those mortgages insured pursuant to section 255, in an amount described in clause (ii).

“(ii) AMOUNT OF SURCHARGE.—With respect to a mortgage, the amount described in this clause is 20 basis points of the remaining insured principal balance (excluding the portion of the remaining balance attributable to the premium collected under paragraph (2)(A) of section 203(c) and without taking into account delinquent payments or prepayments).

“(iii) EFFECTIVE DATE.—
“(I) IN GENERAL.—Subject to subclause (II), the requirement to collect the annual premium payment set forth under this subparagraph shall take effect on the date that is 180 days after the date on which notice is provided to Congress under subparagraph (A).

“(II) DELAY.—The effective date of the requirement to collect the annual premium payment set forth under this subparagraph shall be extended for an additional 180 days, if prior to the expiration of the initial 180-day time period described under subclause (I), the report of the Secretary required under paragraph (3)(A)—

“(aa) is submitted to Congress; and

“(bb) finds that the Mutual Mortgage Insurance Fund—

“(AA) has achieved the capital ratio required to be
maintained under subsection (f); or

“(BB) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report.

“(III) REINSTITUTION OF SURCHARGE.—Notwithstanding subclauses (I) and (II), if the next report of the Secretary on the annual independent actuarial study required under section 202(a)(4) that is sub-
mitted after the report of the Secretary described in subclause (II) finds that the Mutual Mortgage Insurance Fund has a capital ratio of not less than 0 percent but less than 50 percent of the capital ratio required to be maintained under subsection (f), then the effective date of the requirement to collect the annual premium payment set forth under this subparagraph shall be the date that is 30 days after the date on which such report is submitted to Congress.

“(iv) CESSATION OF APPLICATION.—

The Secretary shall not be required to collect the annual premium payment set forth under this subparagraph, if, at any time after the date on which such requirement has gone into effect, either—

“(I) the report of the Secretary on the annual independent actuarial study required under section 202(a)(4) finds that the Mutual Mortgage Insurance Fund—
“(aa) has achieved the capital ratio required to be maintained under subsection (f); or

“(bb) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report;

“(II) the report of the Secretary required under paragraph (3)(A) finds that the Mutual Mortgage Insurance Fund—

“(aa) has achieved the capital ratio required to be maintained under subsection (f); or
“(bb) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report; or

“(III) the Mutual Mortgage Insurance Fund has been designated as critically undercapitalized pursuant to paragraph (6) and the premium surcharge applicable to any such designation has taken effect.

“(E) REQUIRED EXAMINATION OF UNDERWRITING REQUIREMENTS.—If the Mutual Mortgage Insurance Fund is designated as significantly undercapitalized pursuant to this paragraph, the Secretary shall—
“(i) not later than 30 days after the date on which notice is provided under subparagraph (A), examine all of its product lines, product or insurance features, and underwriting criteria for ways to strengthen and enhance such products, features, or criteria to limit losses to the Mutual Mortgage Insurance Fund;

“(ii) in carrying out the requirement under clause (i), undertake such examination actions as are necessary to reduce the financial vulnerability of the Mutual Mortgage Insurance Fund from those risk characteristics or product lines that most contribute to the default of mortgages insured under section 202, including by reviewing the underwriting and servicing standards for mortgages to be insured by the Secretary, including, but not limited to, a review of—

“(I) the amount of cash or its equivalent required to be paid on account of the property subject to a mortgage that is an obligation of the Fund;
“(II) servicer compliance with any loan servicing or loss mitigation guidelines of the Secretary; and

“(III) economic conditions present in the housing market, provided there is a demonstrated likelihood that the policies of the Secretary would impact those economic conditions; and

“(iii) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives any analysis, findings, or recommendations used or made by the Secretary to carry out the requirements of this subparagraph.

“(6) Corrective actions when fund is critically undercapitalized.—

“(A) Notice to Congress.—Not later than 7 days after the date on which the Secretary is informed that the Mutual Mortgage Insurance Fund has a capital ratio of less than 0 percent of the capital ratio required to be maintained under subsection (f), the Secretary
shall notify the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives of such shortfall, and the date on which the Secretary was informed of such shortfall.

“(B) Submission of further revised capital restoration plan.—Not later than 30 days after the date on which notice is provided under subparagraph (A), the Secretary shall jointly submit with the Secretary of the Treasury to the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives a capital restoration plan, or a revised capital restoration plan, including a timeline for implementation of such plan, to achieve the capital ratio required to be maintained under subsection (f). The plan required under this subparagraph shall be revised and submitted annually with the Secretary of the Treasury, until such time as the Mutual Mortgage Insurance
Fund achieves the capital ratio required to be maintained under subsection (f).

“(C) Congressional testimony.—Not later than 45 days after the date on which notice is provided under subparagraph (A), and every 180 days thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary and the Secretary of the Treasury shall each provide testimony to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the capital status of the Fund and the success or failure of the further revised capital restoration plan submitted under subparagraph (B).

“(D) Imposition of premium surcharge.—

“(i) In general.—Notwithstanding any limitation on the amount of any premium payment set forth under section 203(c), in addition to the premiums collected under subparagraphs (A), (B), and (C) of paragraph (2) of section 203(c), if
the Mutual Mortgage Insurance Fund is designated as critically undercapitalized pursuant to this paragraph, the Secretary shall establish and collect annual premium payments for any newly insured mortgage for which the Secretary collects an annual premium payment under section 203(c), except for those mortgages insured pursuant to section 255, in an amount described in clause (ii).

“(ii) AMOUNT OF SURCHARGE.—With respect to a mortgage, the amount described in this clause is 30 basis points of the remaining insured principal balance (excluding the portion of the remaining balance attributable to the premium collected under paragraph (2)(A) of section 203(c) and without taking into account delinquent payments or prepayments).

“(iii) EFFECTIVE DATE.—

“(I) IN GENERAL.—Subject to subclause (II), the requirement to collect the annual premium payment set forth under this subparagraph shall take effect on the date that is 180
days after the date on which notice is provided to Congress under subparagraph (A).

“(II) DELAY.—The effective date of the requirement to collect the annual premium payment set forth under this subparagraph shall be extended for an additional 180 days, if prior to the expiration of the initial 180-day time period described under subclause (I), the report of the Secretary required under paragraph (3)(B)—

“(aa) is submitted to Congress; and

“(bb) finds that the Mutual Mortgage Insurance Fund—

“(AA) has achieved the capital ratio required to be maintained under subsection (f);

“(BB) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio
required to be maintained under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report; or

“(CC) has a capital ratio of not less than 0 percent but less than 50 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (5)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (5)(D) shall not be applicable and that
the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report.

“(III) REINSTITUTION OF SURCHARGE.—Notwithstanding subclauses (I) and (II), if within 1 calendar year any report of the Secretary required under paragraph (3)(B) finds that the Mutual Mortgage Insurance Fund has a capital ratio of less than 0 percent of the capital ratio required to be maintained under subsection (f), then the effective date of the requirement to collect the annual premium payment set forth under this subparagraph shall be the date that is 30 days after the date on which such report is submitted to Congress.

“(iv) CESSION OF APPLICATION.—The Secretary shall not be required to collect the annual premium payment set forth under this subparagraph, if, at any time
after the date on which such requirement has gone into effect, either—

“(I) the report of the Secretary on the annual independent actuarial study required under section 202(a)(4) finds that the Mutual Mortgage Insurance Fund—

“(aa) has achieved the capital ratio required to be maintained under subsection (f);

“(bb) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report; or
“(cc) has a capital ratio of not less than 0 percent but less than 50 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (5)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (5)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report; or

“(II) the report of the Secretary required under paragraph (3)(B) finds that the Mutual Mortgage Insurance Fund—

“(aa) has achieved the capital ratio required to be maintained under subsection (f); 

“(bb) has a capital ratio of not less than 50 percent but less than 100 percent of the capital ratio required to be maintained
under subsection (f), at which point the provisions of paragraph (4)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (4)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report; or

“(ce) has a capital ratio of not less than 0 percent but less than 50 percent of the capital ratio required to be maintained under subsection (f), at which point the provisions of paragraph (5)(D) shall be applicable, except that the provisions of clause (iii) of such paragraph (5)(D) shall not be applicable and that the premium surcharge applicable to such paragraph shall take effect within 30 days of the issuance of such report.
“(E) REQUIRED ENHANCEMENTS TO UNDERWRITING REQUIREMENTS.—If the Mutual Mortgage Insurance Fund is designated as critically undercapitalized pursuant to this paragraph, the Secretary shall—

“(i) not later than 30 days after the date on which notice is provided under subparagraph (A), take such actions as necessary to revise its product lines, product or insurance features, or underwriting criteria in order to strengthen and enhance such products, features, or criteria to limit losses to the Mutual Mortgage Insurance Fund;

“(ii) in carrying out the requirement under clause (i), undertake such actions as are necessary to reduce the financial vulnerability of the Mutual Mortgage Insurance Fund from those risk characteristics or product lines that most contribute to the default of mortgages insured under section 202, such actions—

“(I) may include, but are not limited to, a revision of the—
“(aa) amount of cash or its equivalent required to be paid on account of the property subject to a mortgage that is an obligation of the Fund;

“(bb) servicer standards for compliance with any loan servicing or loss mitigation guidelines of the Secretary; and

“(cc) treatment of loan modification requests made by borrowers having insurance provided under this title seeking assistance under a modification program of the Secretary; and

“(II) shall take into consideration economic conditions present in the housing market, provided there is a demonstrated likelihood that the policies of the Secretary would impact those economic conditions; and

“(iii) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representa-
tives any relevant final analysis used by
the Secretary to carry out the require-
ments of this subparagraph.

“(7) MANDATORY REEVALUATION.—Upon the
Mutual Mortgage Insurance Fund achieving the cap-
it ratio required to be maintained under subsection
(f), the Secretary—

“(A) shall review any actions taken pursu-
ant to this subsection;

“(B) shall examine and determine wheth-
er—

“(i) the need to maintain such action
is necessary; and

“(ii) the repeal, revision, or amend-
ment of any such action can be carried out
without having any adverse effect on the
ability of the Fund to maintain the capital
ratio required under subsection (f); and

“(C) may, pursuant to any determination
under subparagraph (B) that no such adverse
effects exist, repeal, revise, or amend any such
action as the Secretary determines appro-
priate.”.
SEC. 10. STRESS TESTING OF THE MUTUAL MORTGAGE INSURANCE FUND.

Section 202(a)(4) of the National Housing Act (12 U.S.C. 1708(a)(4)) is amended by inserting after the last sentence the following: “The report shall also include an alternative stress test scenario of the Fund based on relevant assumptions used in the annual Comprehensive Capital Analysis and Review stress tests performed by the Board of Governors of the Federal Reserve System. The alternative stress test scenario of the Fund shall be developed by the Secretary, in consultation with the Board of Governors of the Federal Reserve System, and appropriately tailored for purposes of assessing the financial status of the Fund. A summary of the results of the alternative stress test scenario of the Fund, as well as any other stress test scenario of the Fund that may be utilized, shall be included in the report.”.

SEC. 11. CONGRESSIONAL NOTIFICATION OF USE OF CERTAIN AUTHORITIES WITH RESPECT TO THE FHA.

(a) NOTICE BY TREASURY.—The Secretary of the Treasury shall provide written notice to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives within 48 hours of the exercise of any authority granted under section 504(f) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c(f)) to carry out any transaction
to fund any account established for the benefit of the Department of Housing and Development, the Federal Housing Administration, or the Mutual Mortgage Insurance Fund established under section 202 of the National Housing Act (12 U.S.C. 1708).

(b) NOTICE BY HUD.—The Secretary of Housing and Urban Development shall provide written notice to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives within 48 hours of the receipt of any amounts described under subsection (a).

(c) INCLUSION IN REQUIRED REPORTS.—The Secretary of Housing and Urban Development shall include, in any report required by law to be submitted to Congress, including any annual, quarterly, actuarial, or other report required to be submitted to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representative, the dollar amount of any amounts owed by the Secretary of Housing and Urban Development to the Treasury as a result of the exercise of any authority granted under section 504(f) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c(f)).

(d) PUBLIC AVAILABILITY.—
(1) Treasury.—As soon as is practicable, the notice required by subsection (a) shall be made available to the public and posted on the website of the Department of the Treasury.

(2) HUD.—As soon as is practicable, the notice required by subsection (b) shall be made available to the public and posted on the website of the Department of Housing and Urban Development.

SEC. 812. ESTABLISHMENT OF DEPUTY ASSISTANT SECRETARY AND CHIEF RISK OFFICER OF FHA.

(a) In General.—Subsection (b) of section 4 of the Department of Housing and Urban Development Act (42 U.S.C. 3533(b)) is amended—

(1) by striking “There shall be” and inserting the following:

“(1) Establishment of Commissioner.—There shall be”; and

(2) by adding at the end the following:

“(2) Establishment of Deputy Assistant Secretary and Chief Risk Officer.—

“(A) Appointment.—There shall be in the Department, within the Federal Housing Administration, a Deputy Assistant Secretary and Chief Risk Officer, who shall be appointed by the Secretary and shall be responsible to the
Federal Housing Commissioner for all matters relating to managing and mitigating risk to the mortgage insurance funds of the Department and ensuring the performance of mortgages insured by the Department to protect borrowers and taxpayers.

“(B) Responsibilities.—The Deputy Assistant Secretary and Chief Risk Officer established under subparagraph (A) shall have—

“(i) comprehensive risk management and regulatory knowledge in key risks, including credit, interest rate, and operational risk;

“(ii) a sound understanding of the tools and methodologies used to measure and quantify risk, including the use of statistical models; and

“(iii) a broad understanding and knowledge of mortgage industry best practices for risk management.

“(C) Underwriting Report.—

“(i) In general.—Not later than 1 year after the date of enactment of the FHA Solvency Act of 2013, and annually thereafter, the Deputy Assistant Secretary
and Chief Risk Officer (or, if not yet appointed, the Commissioner of the Federal Housing Administration) shall prepare a report on the underwriting standards for mortgages insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.), which shall be submitted by the Secretary to—

“(I) the Committee on Banking, Housing, and Urban Affairs of the Senate; and

“(II) the Committee on Financial Services of the House of Representatives.

“(ii) CONTENTS.—The report required under clause (i) shall include—

“(I) for all mortgages insured under title II of the National Housing Act that were made not less than 6 months and not more than 36 months before the date of the report, an identification of the default risk characteristics as such characteristics existed at the time of origination of the mortgage based on risk factors that are
commonly used in evaluating mortgage default risk, including—

“(aa) the current or reasonably expected income and financial resources of a borrower;

“(bb) the employment status of a borrower, if income used under item (aa) is employment income;

“(cc) the monthly mortgage payment of a borrower under the terms of a mortgage;

“(dd) the monthly payment for any other loan held by the borrower;

“(ee) the monthly payment for any obligations related to the mortgage;

“(ff) any other debt obligations of a borrower, including alimony and child support;

“(gg) the monthly debt-to-income ratio or residual income of a borrower;
“(hh) the credit history of a borrower; and
“(ii) any other risk factor, as determined appropriate by the Secretary;
“(II) in tabular format, the number of mortgages insured under title II of the National Housing Act that are in default and the rate of default for—
“(aa) each for the characteristics described in subclause (I);
“(bb) any multi-way combination of the characteristics in subclause (I) as determined appropriate by the Secretary; and
“(cc) any additional multi-way combination of the characteristics in subclause (I) as may be requested by the Chair or Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate or the Chair or Ranking Member of the Committee on Financial
Services of the House of Representatives, provided that the Deputy Assistant Secretary and Chief Risk Officer (or, if not yet appointed, the Commissioner of the Federal Housing Administration) shall be provided an additional 30 days from the date of receipt of such request to satisfy such request;

“(III) an analysis of mortgages insured under title II of the National Housing Act that were made not less than 6 months and not more than 36 months before the date of the report and are in the lowest quartile and decile of loan performance, which shall include—

“(aa) a description of the characteristics described in sub-clause (I) for mortgages in the lowest quartile and decile of loan performance; and

“(bb) a comparison of the characteristics described in sub-
clause (I) between mortgages in
the lowest quartile and decile of
loan performance and all other
mortgages insured under title II
of the National Housing Act;

“(IV) recommendations by the
Deputy Assistant Secretary and Chief
Risk Officer for revisions to the un-
derwriting standards of the Secretary
for mortgages eligible to be insured
under title II of the National Housing
Act based on the findings of the re-
port, and a response to those rec-
ommendations from the Secretary;
and

“(V) a quantitative analysis of
the effects of any revisions to the un-
derwriting standards made by the
Secretary in response to the findings
of a prior report, and any rec-
ommendations of the Deputy Assist-
ant Secretary and Chief Risk Officer
in response to those revisions.”.

(b) CONFORMING AMENDMENT.—Section 202(a)(4)
of the National Housing Act (12 U.S.C. 1708(a)(4)) is
amended by inserting after the first sentence the fol-
lowing: “The independent actuary commissioned to carry
out the annual independent actuarial study required under
this paragraph shall submit such study to the Deputy As-
sistant Secretary and Chief Risk Officer.”.

SEC. 913. DISCLOSURE OF EVENTS.

Section 202(a)(4) of the National Housing Act (12
U.S.C. 1708(a)(4)) is amended—

(1) by striking “The Secretary shall” and in-
serting the following:

“(1) IN GENERAL.—The Secretary shall”; and

(2) by adding at the end the following:

“(2) DISCLOSURE OF UNFORESEEN EVENTS.—

“(A) IN GENERAL.—Prior to the submis-
sion of any report of the Secretary under para-
graph (1), the Secretary shall require that the
independent actuary commissioned to perform
the study required under paragraph (1) disclose
to the Secretary any events or circumstances
that occur after the study is completed but be-
fore the report is submitted to Congress and
that would have resulted in changes to the in-
puts or assumptions the actuary used to make
forecasts about the financial position of the
Fund, if such changes are sufficiently signifi-
cant that a reasonable person would expect them to substantially alter the actuary’s forecasts of the economic value of the Fund or the actuary’s projections relating to the capital reserve ratio of the Fund.

“(B) INFORMING CONGRESS.—The Secretary shall inform Congress of any disclosures required under subparagraph (A) either by—

“(i) the submission of an addendum to the report of the Secretary required under paragraph (1); or

“(ii) a letter from the Secretary addressed to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.”.

SEC. 4014. GAO STUDY ON DISCLOSURES.

(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Comptroller General of the United States shall conduct a one-time study of the relevant information disclosed by the Secretary of Housing and Urban Development in conjunction with the release of the annual actuarial report of the Secretary required under section 202(a)(4) of the National Housing Act (12 U.S.C. 1708(a)(4)).
(b) REQUIRED CONSULTATION.—In conducting the study required under subsection (a), the Comptroller General shall consult, as appropriate, with prominent United States academics with national recognition and significant depth of experience in the housing market and the performance of high loan-to-value lending.

(e) REQUIRED REVIEW.—In carrying out the study required under subsection (a), the Comptroller General shall review and make recommendations regarding—

(1) if a reasonable amount of relevant data and analyses are being disclosed by the Secretary of Housing and Urban Development to the public, for research, in conjunction with the release of the annual actuarial report of the Secretary required under section 202(a)(4) of the National Housing Act (12 U.S.C. 1708(a)(4)); and

(2) the disclosure by the Secretary of additional relevant data and analyses to the public, for research purposes.

(d) FOLLOW UP.—Not later than 12 months after the release of the study required under subsection (a), the Comptroller General shall conduct an additional report regarding the actions of the Secretary of Housing and Urban Development in carrying out any recommendations
of the Comptroller General made pursuant to subsection (c)(2).

SEC. 1115. STABILIZING THE HECM PROGRAM.

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

(1) in subsection (d)(8)—

(A) by inserting “property maintenance,”

before “insurance”; and

(B) by inserting “, including matters that

set forth terms and provisions for establishing escrow accounts, performing financial assessments, or limiting the amount of any payment made available under the mortgage” before the semicolon; and

(B) by inserting “the establishment of escrow accounts or set-asides, the limiting of amounts of any payment made available under the mortgage,” after “payment of taxes”;

(C) by striking “may” and inserting “shall”; and

(D) by inserting “, including matters that

set forth the terms and provisions for performing financial assessments” before the semicolon;

(2) in subsection (h)—
(A) in paragraph (1), by striking ‘‘; and’’ and inserting a semicolon;

(B) in paragraph (2), by striking the period and inserting ‘‘; and’’; and

(C) by adding at the end the following new paragraph:

‘‘(3) by notice or mortgagee letter, establish any additional or alternative requirements that the Secretary, in his or her discretion, determines necessary to more effectively carry out the purposes of the program authorized under this section; and any such notice or mortgagee letter shall take effect upon issuance and expire not later than 24 months after the date of issuance of the notice or mortgagee letter.’’.

(2) in subsection (h)(3), as added by the Reverse Mortgage Stabilization Act of 2013 (Public Law 113–29), by striking ‘‘any additional or alternative requirements’’ and inserting ‘‘requirements pertaining to escrow accounts or set-asides, financial assessments, or limiting the amount of any payment made available under the mortgage, as authorized under subsection (d)(8),’’; and

(3) by adding at the end the following:
“(s) Escrow Accounts or Set-Aside.—In carrying out the program authorized under this section, the Secretary shall require the establishment of an escrow account or set-aside in any instance where the Secretary determines, after a financial assessment of the mortgagor has been completed, that such an account or set-aside would mitigate the risk of loss to the mortgagee, the mortgagor, the program, or the Mutual Mortgage Insurance Fund.”.

(b) Limitation on Authority.—The authority of the Secretary of Housing and Urban Development to issue any notice or mortgagee letter pursuant to section 255(h)(3) of the National Housing Act, as added by the Reverse Mortgage Stabilization Act of 2013 (Public Law 113–29) shall expire not later than 24 months after the date of enactment of this Act.

(bc) Rulemaking.—

(1) In General.—In carrying out the authority provided to the Secretary of Housing and Urban Development under section 255(h)(3) of the National Housing Act, as added by subsection (a) as added by the Reverse Mortgage Stabilization Act of 2013 (Public Law 113–29), the Secretary shall—

(A) not later than 90 days after the issuance of the notice or mortgagee letter pursuant to such section, issue a notice of proposed
rulemaking addressing the same additional or alternative requirements that are the subject of the notice or mortgagee letter; and

(B) not later than 24 months after the issuance of the notice of proposed rulemaking required under subparagraph (A)—

(i) issue a final rule addressing the same additional or alternative requirements that are the subject of the notice or mortgagee letter; or

(ii) withdraw the notice or mortgagee letter.

(2) **FAILURE TO COMPLY.**—If the Secretary of Housing and Urban Development fails to issue a final rule by the end of the period described under paragraph (1)(B)—

(A) the provisions of the notice or mortgagee letter at issue shall become null and void;

(B) the Secretary—

(i) shall not have authority to reissue such notice or mortgagee letter; and

(ii) may only address the requirements that are the subject of the notice or mortgagee letter at issue through the promulgation of a regulation pursuant to the
rulemaking requirements of title 5, United States Code; and

(C) the Secretary and the Director of the Office of Management and Budget shall appear before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives to provide testimony explaining the failure to comply with the requirements of this subsection.

(d) ADDITIONAL RULEMAKING RELATING TO FIXED-RATE FULL DRAW PRODUCTS.—Not later than 1 year after the date of enactment of this Act, the Secretary of Housing and Urban Development shall issue a notice of proposed rulemaking that—

(1) eliminates the use, issuance, or establishment of any standard fixed-rate full draw product offered under the home equity conversion mortgage program authorized by section 255 of the National Housing Act (12 U.S.C. 1715z-20); and

(2) requires any other fixed-rate full draw product offered under the home equity conversion mortgage program authorized by section 255 of the National Housing Act not subject to elimination under para-
graph (1) to be based on a financial assessment of the
mortgagor.

(e) REPORT.—

(1) IN GENERAL.—The Secretary of Housing and
Urban Development, on a quarterly basis, shall report
to the Committee on Banking, Housing, and Urban
Affairs of the Senate and the Committee on Financial
Services of the House of Representatives on the status
and financial condition of each distinct product of-
fered under the home equity conversion mortgage pro-
gram authorized by section 255 of the National Hous-
ing Act, including the HECM Standard Adjustable,
HECM Saver Fixed, and HECM Saver Adjustable
products.

(2) CONTENTS OF REPORT.—The report required
under paragraph (1) shall set forth, for each product
the—

(A) default rates under the product;

(B) rate of foreclosure on loans insured pur-
suant to each product; and

(C) severity and extent of losses incurred on
loans insured pursuant to each product.

(3) FURTHER STUDY.—Upon review of the infor-
mation collected pursuant to this subsection, if the
Secretary of Housing and Urban Development deter-
mines that any individual product has a default rate measurably higher than the default rates occurring in any other product or is experiencing losses measurably higher than losses incurred in any other product, the Secretary shall further study the product and include in the next quarterly report due under paragraph (1)—

(A) information identifying and enumerating the causes of such higher default rates and severity of losses; and

(B) a detailed description of the actions to be taken by the Secretary to correct such inefficiencies.

SEC. 16. PRINCIPAL LIMIT FACTOR FOR HECM PROGRAM.

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

(1) by striking “paragraph (1) shall” and inserting “paragraph (1)—”

“(A) shall”;

(2) in subparagraph (A), as so designated, by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following:

“(B) in the case of a fixed rate mortgage, may not involve a principal limit (as defined in
section 206.3 of title 24, Code of Federal Regulations) with a principal limit factor in excess of .61.”.

SEC. 1217. PUBLICATION OF FINAL RULES RELATING TO LIMITING SELLER CONTRIBUTIONS TOWARDS PURCHASE RELATED EXPENSES.

(a) REQUIRED COMPLETION OF RULE.—Not later than 90 days after the date of enactment of this Act, the Secretary of Housing and Urban Development shall—

(1) issue and publish its final rule to implement the proposed rule entitled “Federal Housing Administration (FHA) Risk Management Initiatives: Revised Seller Concessions” (77 Fed. Reg. 10695 (February 23, 2012)); and

(2) ensure that the final rule required under paragraph (1)—

(A) limits the amount a seller or interested third party, or both, may contribute towards the purchase-related expenses of a borrower without reducing the maximum insured amount of a mortgage insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.); and

(B) defines the acceptable types of expenses that a seller or interested third party, or
both, may contribute under subparagraph (A), such as closing costs, prepaid expenses, discount points, up-front mortgage insurance premiums, and interest rate buydowns.

(b) FAILURE TO COMPLY.—If the Secretary of Housing and Urban Development fails to issue a final rule by the end of the period described under subsection (a), the Secretary and the Director of Office of Management and Budget shall appear before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives to provide testimony explaining the failure to comply with the requirements of this section.

SEC. 18. GAO STUDY ON FHA LOAN LIMITS.

(a) IN GENERAL.—The Comptroller General of the United States shall conduct a one-time study to determine the appropriate dollar amount limitation on the maximum original principal obligation of a mortgage that may be insured under title II of the National Housing Act (12 U.S.C. 1701 et seq.).

(b) REQUIRED REVIEW.—In carrying out the study required under subsection (a), the Comptroller General shall review and make recommendations regarding the appropriate methodology for further adjustments to the dollar amount limitation, including adjustments for inflation,
varying home prices across different regions of the United States, and the effects of economic downturns.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the results of the study conducted pursuant to subsection (a), including its reasons justifying its determination.
A BILL

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

December 19, 2013

Reported with amendments