

115TH CONGRESS  
1ST SESSION

# H. R. 3134

To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 2017

Ms. KAPTUR (for herself, Mr. CLAY, Mr. EVANS, Mr. BRADY of Pennsylvania, Ms. FUDGE, Ms. JAYAPAL, and Ms. PINGREE) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes.

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.**

4 This Act may be cited as the “Transforming Student  
5 Debt to Home Equity Act of 2017”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1           (1) In the fourth quarter of 2016, over  
2           17,200,000 homes remain vacant in the United  
3           States.

4           (2) These extended vacancies depress neighbor-  
5           hood property values and create a downward spiral  
6           in neighborhood stability in already troubled commu-  
7           nities.

8           (3) Meanwhile, due to climbing expenses of  
9           higher education, the total Federal student debt  
10          owed equals \$1,300,000,000.

11          (4) More than 40,000,000 Americans have at  
12          least one outstanding student loan, up dramatically  
13          from 29,000,000 Americans just 10 years ago.

14          (5) Student loan repayments are forcing mil-  
15          lions of young families out of purchasing their first  
16          home, as they cannot afford to save for a down pay-  
17          ment or qualify for a mortgage.

18          (6) It is imperative to find a way to systemati-  
19          cally convert debt streams into equity streams, oth-  
20          erwise housing purchases will continue to be sluggish  
21          and thousands more Americans will retire saddled  
22          with student loan debt never having had the oppor-  
23          tunity to accumulate equity.

24          (7) It is in the interest of the Federal Govern-  
25          ment to use the resources at its disposal, including

1 both housing properties held in trust and student  
2 debt obligations, to put reverse pressure on these  
3 downward trends.

4 (8) By arranging financing that recalculates  
5 terms, debt-to-income ratios, mortgage interest  
6 rates, and other factors, short-term student debt  
7 could transition into longer term home ownership.

8 (9) The goal is to connect creditworthy Federal  
9 student debt holders with housing properties for sale  
10 but held by the Federal Government.

11 (10) Eventually, participants can help restore  
12 neighborhoods, transform their debt to equity, and  
13 buy property values locally and on the Federal ledg-  
14 er simply by maintaining and investing in a home  
15 mortgage.

16 **SEC. 3. PROGRAM TO EXPAND ACCESS TO MORTGAGES TO**  
17 **ELIGIBLE CREDITWORTHY HOMEBUYERS**  
18 **WITH FEDERAL STUDENT LOAN DEBT.**

19 (a) ESTABLISHMENT.—From amounts appropriated  
20 pursuant to subsection (g), the Secretary of the Depart-  
21 ment of Housing and Urban Development and the Direc-  
22 tor of the Federal Housing Finance Agency shall jointly  
23 establish and carry out a pilot demonstration program to  
24 provide assistance to eligible applicants in purchasing eli-  
25 gible properties.

1 (b) ELIGIBLE APPLICANTS.—To be eligible for the  
2 program established in this Act, an applicant—

3 (1) shall have an outstanding balance of prin-  
4 cipal or interest owing on a loan made, insured, or  
5 guaranteed under title IV of the Higher Education  
6 Act of 1965 (20 U.S.C. 1070 et seq.);

7 (2) may not be subject to a judgment secured  
8 through litigation with respect to such a loan under  
9 title IV of the Higher Education Act of 1965 (20  
10 U.S.C. 1070 et seq.), may not be subject to an order  
11 for wage garnishment under section 488A of such  
12 Act (20 U.S.C. 1095a), and at the time of applica-  
13 tion for participation in the program under this sec-  
14 tion—

15 (A) such a loan shall be in repayment sta-  
16 tus as determined under section 428(b)(7)(A)  
17 of such Act (20 U.S.C. 1078(b)(7)(A)); or

18 (B) such a loan shall be in a grace period  
19 preceding repayment;

20 (3) may not have owned a home during the 3-  
21 year period immediately before the applicant pur-  
22 chases an eligible property with assistance provided  
23 under this Act;

24 (4) shall complete a program of counseling with  
25 respect to the responsibilities and financial manage-

1       ment involved in homeownership that is approved by  
2       the Secretary;

3           (5) shall be creditworthy, as determined by the  
4       Secretary and the Director;

5           (6) shall agree to use an eligible property pur-  
6       chased with assistance provided under this Act as  
7       the applicant's primary residence for not less than  
8       the 3-year period beginning on the date of such pur-  
9       chase; and

10          (7) shall be employed and earning sufficient in-  
11       come to repay a mortgage loan, as determined by  
12       the Secretary and the Director for the purposes of  
13       this program.

14       (c) TYPES OF ASSISTANCE.—

15           (1) IN GENERAL.—A program established under  
16       this Act may provide for any one or more of the fol-  
17       lowing options:

18           (A) A discount on the appraised value of  
19       an eligible property.

20           (B) Flexibility in underwriting standards  
21       related to the purchase of eligible properties for  
22       mortgages insured under title II of the National  
23       Housing Act (12 U.S.C. 1707 et seq.) or owned  
24       or guaranteed by the Federal National Mort-

1           gage Association or the Federal Home Loan  
2           Mortgage Corporation.

3           (C) The development of new mortgage  
4           products specifically targeted to eligible appli-  
5           cants.

6           (D) In coordination with the Department  
7           of the Treasury and the Department of Edu-  
8           cation, the development of a program that will  
9           use actuarial information to determine how the  
10          repayment of loans described in subsection  
11          (b)(1) may be integrated into a mortgage re-  
12          payment schedule to allow an eligible applicant  
13          to accumulate equity in the eligible property, in-  
14          cluding by reason of meeting the eligible appli-  
15          cant's obligations under such student loan.

16          (E) Any other assistance that the Sec-  
17          retary and Director jointly deem appropriate.

18          (2) COLLABORATION.—In providing assistance  
19          described under paragraph (1), the Secretary and  
20          the Director may collaborate with community banks  
21          having less than \$10,000,000,000 in total assets,  
22          credit unions (as defined in section 101 of the Fed-  
23          eral Credit Union Act), and local fair housing orga-  
24          nizations.

1 (d) GEOGRAPHICAL DIVERSITY.—In selecting eligible  
2 applicants to receive assistance under this Act, the Sec-  
3 retary and the Director shall, to the extent practicable,  
4 consider the location of the eligible property to be pur-  
5 chased by the eligible applicant, including whether the eli-  
6 gible property is located in a rural or urban area, to ensure  
7 geographic diversity of such eligible properties.

8 (e) REPORTS.—

9 (1) INTERIM REPORT.—Not later than 90 days  
10 after the date of the enactment of this Act, the Sec-  
11 retary and the Director shall submit to Congress an  
12 interim report describing the type of assistance the  
13 Secretary and the Director shall provide under the  
14 program established under this Act.

15 (2) FINAL REPORT.—Not later than 3 years  
16 after the date of the enactment of this Act, the Sec-  
17 retary and the Director shall submit to Congress a  
18 final report evaluating the impact of the program  
19 carried out under this Act and describing other  
20 types of assistance the Secretary and the Director  
21 may offer.

22 (f) DEFINITIONS.—In this Act:

23 (1) DIRECTOR.—The term “Director” means  
24 the Director of the Federal Housing Finance Agen-  
25 cy.

1           (2) SECRETARY.—The term “Secretary” means  
2 the Secretary of the Department of Housing and  
3 Urban Development.

4           (3) ELIGIBLE PROPERTY.—The term “eligible  
5 property” means a property that is designed as a  
6 dwelling for occupancy by 1 to 4 families—

7                   (A) that is safe and habitable, as defined  
8 by the Secretary and the Director;

9                   (B) for which, as determined by the Sec-  
10 retary and the Director, the occupancy of which  
11 will promote community revitalization; and

12                   (C) that—

13                           (i) was previously subject to a mort-  
14 gage loan insured by the Federal Housing  
15 Administration under title II of the Na-  
16 tional Housing Act (12 U.S.C. 1707 et  
17 seq.) and is owned by the Secretary pursu-  
18 ant to the payment of insurance benefits  
19 under such Act; or

20                           (ii) is a real estate owned property of  
21 the Federal National Mortgage Association  
22 or the Federal Home Loan Mortgage Cor-  
23 poration.

1       (g) AUTHORIZATION OF APPROPRIATIONS.—There  
2 are authorized to be appropriated such sums as necessary  
3 to carry out this Act for fiscal years 2018 to 2020.

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