

116TH CONGRESS
1ST SESSION

H. R. 3511

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 owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2019

Ms. KAPTUR (for herself, Mr. CLAY, Mrs. AXNE, and Ms. JAYAPAL) introduced the following bill; which was referred to the Committee on Financial Services

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 owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Transforming Student
3 Debt to Home Equity Act of 2019”.

4 **SEC. 2. FINDINGS.**

5 Congress finds the following:

6 (1) In the first quarter of 2019, over
7 16,800,000 homes remain vacant in the United
8 States.

9 (2) These extended vacancies depress neighbor-
10 hood property values and create a downward spiral
11 in neighborhood stability in already troubled commu-
12 nities.

13 (3) Meanwhile, due to climbing expenses of
14 higher education, the total Federal student debt
15 owed equals \$1,560,000,000,000.

16 (4) More than 44,700,000 Americans have at
17 least one outstanding student loan, up dramatically
18 from 37,000,000 Americans just 7 years ago.

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

23 (6) Data from the United States Census Bu-
24 reau shows that non-Hispanic White households
25 have an average net worth of \$130,800, while Black
26 households have an average net worth of \$9,590 and

1 Hispanic households have \$17,530; providing inno-
2 vative financial products will allow the United States
3 to close the racial wealth gap and to ensure equi-
4 table access to housing and economic mobility.

5 (7) According to a report from Pew Research
6 Center, the median income of African-American
7 households decreased by 53 percent between 2008
8 and 2013. In the same time period, the income gap
9 between White households and African-American
10 households widened; increasing from 13 times great-
11 er to 17 times greater.

12 (8) It is imperative to create a demonstration
13 program to design financial pathways to, where pos-
14 sible, to systematically convert some student debt
15 streams into equity streams through negotiation of
16 mortgages; otherwise housing purchases will con-
17 tinue to be sluggish among first time home-buyers
18 and thousands more Americans will enter their mid-
19 years saddled with student loan debt never having
20 had the opportunity to accumulate equity.

21 (9) It is in the interest of the Federal Govern-
22 ment to use the resources at its disposal, including
23 both housing properties held in trust and student
24 debt obligations, to put reverse pressure on these
25 downward trends.

1 (10) By arranging financing that recalculates
 2 terms, debt-to-income ratios, mortgage interest
 3 rates, and other factors, short-term student debt
 4 could transition into longer term home ownership.

5 (11) The goal is to connect creditworthy Fed-
 6 eral student debt holders with housing properties for
 7 sale and held by the Federal Government and local
 8 land banks.

9 (12) Over time, participants can help restore
 10 neighborhoods, transform their debt to equity, and
 11 stabilize secured property values locally and on the
 12 Federal ledger by maintaining and investing in a
 13 home mortgage.

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

17 (a) ESTABLISHMENT.—From amounts appropriated
 18 pursuant to subsection (g), the Secretary of the Depart-
 19 ment of Housing and Urban Development and the Direc-
 20 tor of the Federal Housing Finance Agency shall establish
 21 and carry out a pilot demonstration program to—

22 (1) provide assistance to eligible applicants in
 23 purchasing eligible properties; and

24 (2) subsequently analyze the results of the pro-
 25 vision of such assistance.

1 (b) CONSULTATION.—In establishing and carrying
2 out the program pursuant to subsection (a), the Secretary
3 of the Department of Housing and Urban Development
4 and the Director of the Federal Housing Finance Agency
5 shall consult with—

6 (1) the Director of the Consumer Financial
7 Protection Bureau;

8 (2) the Secretary of Agriculture;

9 (3) the Secretary of Veteran Affairs;

10 (4) the Secretary of Education; and

11 (5) the Secretary of the Treasury.

12 (c) ELIGIBLE APPLICANTS.—To be eligible for the
13 program established pursuant to subsection (a), an appli-
14 cant—

15 (1) shall have an outstanding balance of prin-
16 cipal or interest owing on a Federal loan made, in-
17 sured, or guaranteed under title IV of the Higher
18 Education Act of 1965 (20 U.S.C. 1070 et seq.);

19 (2) may not be subject to a judgment secured
20 through litigation with respect to such a loan under
21 title IV of the Higher Education Act of 1965 (20
22 U.S.C. 1070 et seq.), may not be subject to an order
23 for wage garnishment under section 488A of such
24 Act (20 U.S.C. 1095a), and at the time of applica-

1 tion for participation in the program under this sec-
2 tion—

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

6 (B) such a loan shall be in a grace period
7 preceding repayment;

8 (3) may not have owned a home during the 3-
9 year period immediately before the applicant pur-
10 chases an eligible property with assistance provided
11 under this section;

12 (4) shall complete a program of counseling with
13 respect to the responsibilities and financial manage-
14 ment involved in homeownership that is approved by
15 the Secretary;

16 (5) shall be creditworthy, as determined by the
17 Secretary and the Director;

18 (6) shall agree to use an eligible property pur-
19 chased with assistance provided under this section as
20 the applicant's primary residence for not less than
21 the 3-year period beginning on the date of such pur-
22 chase; and

23 (7) shall be employed and earning sufficient in-
24 come to repay a mortgage loan, as determined by

1 the Secretary and the Director for the purposes of
2 this program.

3 (d) TYPES OF ASSISTANCE.—

4 (1) IN GENERAL.—A program established under
5 this section may provide for any one or more of the
6 following options:

7 (A) A discount on the appraised value of
8 an eligible property.

9 (B) Flexibility in underwriting standards
10 related to the purchase of eligible properties for
11 mortgages insured under title II of the National
12 Housing Act (12 U.S.C. 1707 et seq.) or owned
13 or guaranteed by the Federal National Mort-
14 gage Association or the Federal Home Loan
15 Mortgage Corporation.

16 (C) The development of new mortgage
17 products specifically targeted to eligible appli-
18 cants.

19 (D) Any other assistance that the Sec-
20 retary and Director jointly deem appropriate.

21 (2) REPAYMENT INTEGRATION.—A program es-
22 tablished under this section shall provide for the de-
23 velopment of a program that will use actuarial infor-
24 mation to determine how the repayment of loans de-
25 scribed in subsection (c)(1) may be integrated into

1 a mortgage repayment schedule to allow an eligible
2 applicant to accumulate equity in the eligible prop-
3 erty, including by reason of meeting the eligible ap-
4 plicant's obligations under such student loan.

5 (3) COLLABORATION.—In providing assistance
6 described under paragraph (1), the Secretary and
7 the Director may collaborate with—

8 (A) community banks having less than
9 \$10,000,000,000 in total assets;

10 (B) credit unions (as defined in section
11 101 of the Federal Credit Union Act);

12 (C) and local fair housing organizations;
13 and

14 (D) local land banks.

15 (e) GEOGRAPHICAL DIVERSITY.—In selecting eligible
16 applicants to receive assistance under this section, the Sec-
17 retary and the Director shall, to the extent practicable,
18 consider the location of the eligible property to be pur-
19 chased by the eligible applicant, including whether the eli-
20 gible property is located in a rural or urban area, to ensure
21 geographic diversity of such eligible properties.

22 (f) REPORTS.—

23 (1) INTERIM REPORT.—Not later than 90 days
24 after the date of the enactment of this section, the
25 Secretary and the Director shall submit to Congress

1 an interim report describing the type of assistance
2 the Secretary and the Director shall provide under
3 the program established under this section.

4 (2) FINAL REPORT.—Not later than 3 years
5 after the date of the enactment of this section, the
6 Secretary and the Director shall submit to Congress
7 a final report that—

8 (A) evaluates the impact of the program
9 carried out under this section and describes any
10 findings;

11 (B) identifies other types of assistance the
12 Secretary and the Director may offer; and

13 (C) includes any recommendations the Sec-
14 retary and Director may have for improving the
15 program.

16 (g) DEFINITIONS.—In this section:

17 (1) DIRECTOR.—The term “Director” means
18 the Director of the Federal Housing Finance Agen-
19 cy.

20 (2) SECRETARY.—The term “Secretary” means
21 the Secretary of the Department of Housing and
22 Urban Development.

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

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

3 (B) for which, as determined by the Sec-
4 retary and the Director, the occupancy of which
5 will promote community revitalization; and

6 (C) that—

7 (i) was previously subject to a mort-
8 gage loan insured by the Federal Housing
9 Administration under title II of the Na-
10 tional Housing Act (12 U.S.C. 1707 et
11 seq.) and is owned by the Secretary pursu-
12 ant to the payment of insurance benefits
13 under such Act;

14 (ii) is a real estate owned property of
15 the Federal National Mortgage Association
16 or the Federal Home Loan Mortgage Cor-
17 poration; or

18 (iii) is owned by a local land bank.

19 (4) LOCAL LAND BANK.—The term “local land
20 bank” means—

21 (A) a governmental or nongovernmental
22 nonprofit entity established, at least in part, to
23 assemble, temporarily manage, and dispose of
24 vacant land for the purpose of stabilizing neigh-

1 borhoods and encouraging re-use or redevelop-
2 ment of urban property; or

3 (B) such other governmental or nongovern-
4 mental entity as the Secretary and the Director
5 may determine appropriate.

6 (h) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated such sums as necessary
8 to carry out this section for fiscal years 2021, 2022, and
9 2023.

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