To require a review of the effects of FHA mortgage insurance policies, practices, and products on small-dollar mortgage lending, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 21, 2020

Mr. CLAY (for himself and Mr. STIVERS) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require a review of the effects of FHA mortgage insurance policies, practices, and products on small-dollar mortgage lending, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Improving FHA Support for Small Dollar Mortgages Act of 2020”.

SEC. 2. REVIEW OF FHA SMALL-DOLLAR MORTGAGE PRACTICES.

(a) CONGRESSIONAL FINDINGS.—The Congress finds that—
(1) affordable homeownership opportunities are being stymied due to the lack of financing available for home purchases under $70,000;

(2) according to the Urban Institute, small-dollar mortgage loan applications in 2017 were denied by lenders at double the rate of denial for large mortgage loans, and these denial rates were not related to applicants’ creditworthiness;

(3) according to data compiled by Attom Data solutions, small-dollar mortgage originations have decreased 38 percent since 2009, while there has been a 65-percent increase in origination of mortgages for more than $150,000;

(4) although the FHA’s mission is to serve creditworthy borrowers who are underserved, according to the Urban Institute the FHA serves 24 percent of the overall market, but only 19 percent of the small-dollar mortgage market; and

(5) the FHA should play a greater role in supporting affordable homeownership opportunities by reducing barriers to small-dollar lending, as is consistent with the Department of Housing and Urban Development’s mission, including meeting the housing needs of borrowers the program is designed to
serve and protecting the solvency of the Mutual Mortgage Insurance Fund.

(b) Review.—The Secretary of Housing and Urban Development shall conduct a review of its FHA single-family mortgage insurance policies, practices, and products to identify any barriers or impediments to supporting, facilitating, and making available mortgage insurance for mortgages having an original principal obligation of $70,000 or less. 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 findings of such review and the actions that the Secretary will take to remove such barriers and impediments to providing mortgage insurance for such mortgages without adversely affecting the solvency of the Mutual Mortgage Insurance Fund.