

Union Calendar No. 386

110TH CONGRESS
2^D SESSION

H. R. 5830

[Report No. 110-619]

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 2008

Mr. FRANK of Massachusetts (for himself, Ms. WATERS, Mrs. MALONEY of New York, Mr. WATT, Mr. ACKERMAN, Mr. MEEKS of New York, Mr. CLAY, Mr. LYNCH, Mr. AL GREEN of Texas, Ms. MOORE of Wisconsin, Mr. LINCOLN DAVIS of Tennessee, Mr. HODES, Mr. WILSON of Ohio, Mr. PERLMUTTER, Mr. MURPHY of Connecticut, Mr. DONNELLY, Mr. WEXLER, Mr. SHAYS, Ms. GINNY BROWN-WAITE of Florida, Mr. DINGELL, Ms. SCHAKOWSKY, Mr. LEVIN, Mr. HINCHEY, Mr. FATTAH, Mr. JACKSON of Illinois, Mrs. CHRISTENSEN, Ms. LEE, Mr. WU, Ms. MCCOLLUM of Minnesota, Mr. VAN HOLLEN, Mr. BUTTERFIELD, Mr. COURTNEY, Mr. SESTAK, Mr. SIRES, and Ms. TSONGAS) introduced the following bill; which was referred to the Committee on Financial Services

MAY 5, 2008

Additional sponsors: Mr. MAHONEY of Florida, Mr. CARSON, Mr. CROWLEY, Mr. HINOJOSA, Mr. LANGEVIN, Mr. CAPUANO, Mr. CUMMINGS, Mr. BACA, and Mr. SHERMAN

MAY 5, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on April 17, 2008]

A BILL

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

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 AND TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“FHA Housing Stabilization and Homeownership Reten-*
 6 *tion Act of 2008”.*

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

Sec. 1. Short title and table of contents.

TITLE I—HOMEOWNERSHIP RETENTION

Sec. 101. Purposes.

Sec. 102. Insurance of homeownership retention mortgages.

Sec. 103. Study of Auction or Bulk Refinance Program.

Sec. 104. Temporary increase in maximum loan guaranty amount for certain housing loans guaranteed by Secretary of Veterans Affairs.

Sec. 105. Study of possible accounting revisions relating to property at risk of foreclosure and the availability of credit for refinancing home mortgages at risk of foreclosure.

Sec. 106. GAO study of the effect of tightening credit markets in communities affected by the subprime mortgage foreclosure crises and predatory lending on prospective first-time homebuyers seeking mortgages.

TITLE II—OFFICE OF HOUSING COUNSELING

Sec. 201. Short title.

Sec. 202. Establishment of Office of Housing Counseling.

Sec. 203. Counseling procedures.

Sec. 204. Grants for housing counseling assistance.

Sec. 205. Requirements to use HUD-certified counselors under HUD programs.

Sec. 206. Study of defaults and foreclosures.

Sec. 207. Definitions for counseling-related programs.

Sec. 208. Updating and simplification of mortgage information booklet.

TITLE III—COMBATING MORTGAGE FRAUD

Sec. 301. Authorization of appropriations to combat mortgage fraud.

1 **TITLE I—HOMEOWNERSHIP**
 2 **RETENTION**

3 **SEC. 101. PURPOSES.**

4 *The purposes of this title are—*

5 (1) *to create an FHA program, which is vol-*
 6 *untary on the part of borrowers and existing mort-*
 7 *gage loan holders, to insure refinance loans for sub-*
 8 *stantial numbers of borrowers at risk of foreclosure, at*
 9 *levels which are reasonably likely to be sustainable*
 10 *through enhanced affordability of debt service;*

11 (2) *to provide flexible underwriting for FHA-in-*
 12 *sured loans under such a program to provide refi-*
 13 *nancing opportunities under fiscally responsible*
 14 *terms, including higher fees commensurate with high-*
 15 *er risk levels, a seasoning requirement for higher debt*
 16 *to income loans, and additional program controls to*
 17 *limit and control risk;*

18 (3) *to bar speculators and second home owners*
 19 *from participation in such program;*

20 (4) *to require existing mortgage loan holders to*
 21 *take substantial loan writedowns in exchange for hav-*

1 *ing the Federal Government and the borrower assume*
2 *the ongoing risk of the refinanced loan;*

3 *(5) to set a loan-to-value limit on such loans*
4 *that provides the FHA with an equity buffer against*
5 *potential loan losses, provides protections against the*
6 *risk of future home price declines, and creates incen-*
7 *tives for borrowers to maintain payments on the loan;*

8 *(6) to protect the FHA against losses which may*
9 *exceed normal FHA loss levels by establishing higher*
10 *fee levels, including an exit fee and profit sharing*
11 *during the first five years of the loan, with such high-*
12 *er fee levels effectively being funded through the re-*
13 *quired lender writedown;*

14 *(7) to provide a fair level of incentives for junior*
15 *lien holders to provide the necessary releases of their*
16 *lien interests, in order to meet program requirements*
17 *that all outstanding liens must be extinguished, and*
18 *thereby permit the refinancing to be completed;*

19 *(8) to enhance the administrative capacity of the*
20 *FHA to carry out its expanded role under the pro-*
21 *gram through establishment of an Oversight Board*
22 *which adds expertise from the Federal Reserve and the*
23 *Department of the Treasury, through additional fund-*
24 *ing to contract out for the provision of any needed ex-*
25 *pertise in designing program requirements and over-*

1 *sight, and through additional funding to increase*
2 *FHA personnel resources as needed to handle the in-*
3 *creased loan volume resulting from the program;*

4 *(9) to sunset the program when it is no longer*
5 *needed; and*

6 *(10) to study the need for and efficacy of an auc-*
7 *tion or bulk refinancing mechanism to facilitate more*
8 *expeditious refinancing of larger volumes of existing*
9 *mortgages that are at risk for foreclosure into FHA-*
10 *insured mortgages.*

11 **SEC. 102. INSURANCE OF HOMEOWNERSHIP RETENTION**
12 **MORTGAGES.**

13 *(a) MORTGAGE INSURANCE PROGRAM.—Title II of the*
14 *National Housing Act (12 U.S.C. 1707 et seq.) is amended*
15 *by adding at the end the following new section:*

16 **“SEC. 257. INSURANCE OF HOMEOWNERSHIP RETENTION**
17 **MORTGAGES.**

18 *“(a) OVERSIGHT BOARD.—*

19 *“(1) ESTABLISHMENT.—There is hereby estab-*
20 *lished the Refinance Program Oversight Board (in*
21 *this section referred to as the ‘Oversight Board’).*

22 *“(2) MEMBERSHIP.—The Oversight Board shall*
23 *consist of the following members or their designees:*

24 *“(A) The Secretary of the Treasury.*

1 “(B) *The Secretary of Housing and Urban*
2 *Development.*

3 “(C) *The Chairman of the Board of Gov-*
4 *ernors of the Federal Reserve System.*

5 “(3) *NO ADDITIONAL COMPENSATION.—Members*
6 *of the Oversight Board shall receive no additional pay*
7 *by reason of service on the Oversight Board.*

8 “(4) *RESPONSIBILITIES.—The Oversight Board*
9 *shall be responsible for establishing program and*
10 *oversight requirements for the program under this sec-*
11 *tion, which shall include—*

12 “(A) *detailed program requirements under*
13 *subsection (c);*

14 “(B) *flexible underwriting criteria under*
15 *subsection (d);*

16 “(C) *a mortgage premium structure under*
17 *subsection (e);*

18 “(D) *a reasonable fee and rate limitation*
19 *under subsection (f);*

20 “(E) *enhancement of FHA capacity under*
21 *subsection (i), including oversight of such activi-*
22 *ties and personnel as may be contracted for as*
23 *provided therein;*

24 “(F) *monitoring of underwriting risk under*
25 *subsection (j); and*

1 “(G) such additional requirements as may
2 be necessary and appropriate to oversee and im-
3 plement the program.

4 “(5) *USE OF RESOURCES.*—In carrying out its
5 functions under this section, the Oversight Board may
6 utilize, with their consent and to the extent practical,
7 the personnel, services, and facilities of the Depart-
8 ment of the Treasury, the Department of Housing and
9 Urban Development, the Board of Governors of the
10 Federal Reserve System, the Federal Reserve Banks,
11 and other Federal agencies, with or without reim-
12 bursement therefore.

13 “(b) *AUTHORITY.*—

14 “(1) *IN GENERAL.*—The Secretary shall, subject
15 only to the absence of qualified requests for insurance
16 under this section and to the limitations under sub-
17 section (h) of this section and section 531(a), make
18 commitments to insure and insure any mortgage cov-
19 ering a 1- to 4-family residence that is made for the
20 purpose of paying or prepaying outstanding obliga-
21 tions under an existing mortgage or mortgages on the
22 residence if the mortgage being insured under this sec-
23 tion meets the requirements of this section, as estab-
24 lished by the Oversight Board, and of section 203, ex-
25 cept as modified by this section.

1 “(2) *ESTABLISHMENT AND IMPLEMENTATION OF*
2 *PROGRAM REQUIREMENTS.—The Oversight Board*
3 *shall establish program requirements and standards*
4 *under this section and the Secretary shall implement*
5 *such requirements and standards. The Oversight*
6 *Board and the Secretary may establish and imple-*
7 *ment any requirements or standards through interim*
8 *guidance and mortgagee letters.*

9 “(c) *REQUIREMENTS.—To be eligible for insurance*
10 *under this section, a mortgage shall comply with all of the*
11 *following requirements:*

12 “(1) *OWNER-OCCUPIED PRINCIPAL RESIDENCE*
13 *REQUIREMENT.—The residence to be covered by the*
14 *mortgage insured under this section shall be occupied*
15 *by the mortgagor as the principal residence of the*
16 *mortgagor and the mortgagor shall provide a certifi-*
17 *cation to the originator of the mortgage that such res-*
18 *idence to be covered by the mortgage insured under*
19 *this section is the only residence in which the mort-*
20 *gagor has any present ownership interest.*

21 “(2) *LACK OF CAPACITY TO PAY EXISTING MORT-*
22 *GAGE OR MORTGAGES.—*

23 “(A) *BORROWER CERTIFICATION.—*

1 “(i) *The mortgagor shall provide a cer-*
2 *tification to the originator of the mortgage*
3 *that the mortgagor—*

4 “(I) *has not intentionally de-*
5 *faulted on the existing mortgage or*
6 *mortgages; and*

7 “(II) *has not knowingly, or will-*
8 *fully and with actual knowledge fur-*
9 *nished material information known to*
10 *be false for the purpose of obtaining the*
11 *existing mortgage or mortgages.*

12 “(ii) *The mortgagor shall agree in*
13 *writing that the mortgagor shall be liable to*
14 *repay the FHA any direct financial benefit*
15 *achieved from the reduction of indebtedness*
16 *on the existing mortgage or mortgages on*
17 *the residence refinanced under this section*
18 *derived from misrepresentations made in*
19 *the certifications and documentation re-*
20 *quired under this subparagraph, subject to*
21 *the discretion of the Oversight Board.*

22 “(B) *CURRENT BORROWER DEBT-TO-INCOME*
23 *RATIO.—As of March 1, 2008, the mortgagor*
24 *shall have had a ratio of mortgage debt to in-*

1 *come, taking into consideration all existing*
2 *mortgages at such time, greater than 35 percent.*

3 “(C) *LOSS MITIGATION RESPONSIBIL-*
4 *ITIES.—This section may not be construed to*
5 *alter or in any way affect the responsibilities of*
6 *any party (including the mortgage servicer) to*
7 *engage in any or all loan modification or other*
8 *loss mitigation strategies to maximize value to*
9 *investors as established by any applicable con-*
10 *tract.*

11 “(3) *ELIGIBILITY OF MORTGAGES BY DATE OF*
12 *ORIGINATION.—The existing senior mortgage shall*
13 *have been originated on or before December 31, 2007.*

14 “(4) *MAXIMUM LOAN-TO-VALUE RATIO FOR NEW*
15 *LOANS.—The mortgage being insured under this sec-*
16 *tion shall involve a principal obligation (including*
17 *such initial service charges, appraisal, inspection,*
18 *and other fees as the Secretary shall approve and in-*
19 *cluding the mortgage insurance premium paid pursu-*
20 *ant to subsection (e)(1)) in an amount not to exceed*
21 *90 percent of the current appraised value of the prop-*
22 *erty. Section 203(d) shall not apply to mortgages in-*
23 *sured under this section.*

24 “(5) *REQUIRED WAIVER OF PREPAYMENT PEN-*
25 *ALTIES AND FEES.—All penalties for prepayment of*

1 *the existing mortgage or mortgages, and all fees and*
2 *penalties related to default or delinquency on all ex-*
3 *isting mortgages or mortgages, shall be waived or for-*
4 *given.*

5 “(6) *REQUIRED LOAN REDUCTION.*—

6 “(A) *REDUCTION OF INDEBTEDNESS UNDER*
7 *EXISTING SENIOR MORTGAGE.*—*The amount of*
8 *indebtedness on the existing mortgage or mort-*
9 *gages on the residence shall have been substan-*
10 *tially reduced by such percentage as the Over-*
11 *sight Board or Secretary may require, and such*
12 *reduction shall be at least sufficient to—*

13 “(i) *provide for the refinancing of such*
14 *existing mortgage or mortgages in an*
15 *amount not greater than 90 percent of the*
16 *current appraised value of the property in-*
17 *volved;*

18 “(ii) *pay the full amount of the single*
19 *premium to be collected pursuant to sub-*
20 *section (e)(1) (which shall be an amount*
21 *equal to 3.0 percent of the amount of the*
22 *original insured principal obligation of the*
23 *mortgage insured under this section and*
24 *which shall serve as an additional reserve to*
25 *cover possible loan losses); and*

1 “(iii) pay the full amount of the loan
2 origination fee and any other closing costs,
3 not to exceed 2.0 percent of the amount of
4 the original insured principal obligation of
5 the mortgage insured under this section.

6 “(B) *EXTINGUISHMENT OF DEBT BY REFI-*
7 *NANCING.—*

8 “(i) *REQUIRED AGREEMENT.—All ex-*
9 *isting holders of mortgage liens on the prop-*
10 *erty involved shall agree to accept the pro-*
11 *ceeds of the insured loan as payment in full*
12 *of all indebtedness under all existing mort-*
13 *gages, and all encumbrances related to such*
14 *mortgages shall be removed. The Oversight*
15 *Board may take such actions as the Over-*
16 *sight Board considers necessary or appro-*
17 *priate to facilitate coordination and agree-*
18 *ment between the holders of the existing sen-*
19 *ior mortgage and any existing subordinate*
20 *mortgages, taking into consideration the*
21 *subordinate lien status of such subordinate*
22 *mortgages, to comply with the requirement*
23 *under this subparagraph.*

24 “(ii) *TREATMENT OF MULTIPLE MORT-*
25 *GAGE LIENS.—In addition to clause (i), the*

1 *Oversight Board shall adopt one of the fol-*
2 *lowing approaches for all mortgages or such*
3 *classes of mortgages as the Oversight Board*
4 *may determine and may, from time to time,*
5 *reconsider:*

6 *“(I) FIXED PRICE.—As a require-*
7 *ment for participating in this pro-*
8 *gram, all existing lien holders will*
9 *agree to not provide any payment to*
10 *subordinate lien holders other than*
11 *such payment in accordance with a*
12 *formula established by the Oversight*
13 *Board as set forth in clause (iii); ex-*
14 *cept that the Oversight Board may es-*
15 *tablish a short period within which*
16 *first and subordinate lien holders may*
17 *negotiate to extinguish all subordinate*
18 *liens for compensation that may be dif-*
19 *ferent from the amount determined*
20 *under such formula set forth in clause*
21 *(iii).*

22 *“(II) SHARED EQUITY.—The*
23 *Oversight Board may require the mort-*
24 *gagor under a mortgage insured under*
25 *this section to agree to share a portion*

1 of any future equity in the mortgaged
2 property with holders of existing subor-
3 dinate mortgages, in accordance with a
4 formula for such shared equity estab-
5 lished by the Oversight Board as set
6 forth in clause (iii), except that pay-
7 ments of such shared equity may be
8 made only after the Secretary recovers
9 all amounts owed to the Secretary with
10 respect to such mortgage pursuant to
11 the program under this section (includ-
12 ing amounts owed pursuant to para-
13 graph (8)).

14 “(iii) *FORMULA.*—In determining a
15 formula for determining any payments to
16 subordinate lien holders pursuant to sub-
17 clauses (I) and (II) of clause (ii), and in
18 any reconsideration of such formula as the
19 Oversight Board may from time to time un-
20 dertake, the Oversight Board shall take into
21 consideration the current market value of
22 such liens. In no case may a formula pro-
23 vide for the payment of more than 1 percent
24 of the current appraised value of the mort-
25 gaged property to a subordinate lien holder

1 *if the outstanding balance owed to more*
2 *senior lien holders is equal to or exceeds*
3 *such current appraised value.*

4 “(iv) *VOLUNTARY PROGRAM.—This*
5 *subparagraph may not be construed to re-*
6 *quire any holder of any existing mortgage*
7 *to participate in the program under this*
8 *section generally, or with respect to any*
9 *particular loan.*

10 “(v) *SOURCE OF PAYMENTS FOR SUB-*
11 *ORDINATE LOANS.—Any amounts paid to*
12 *holders of any existing subordinate mort-*
13 *gages in connection with the origination*
14 *and insurance of a mortgage under this sec-*
15 *tion shall derive only from—*

16 “(I) *the holder of the existing sen-*
17 *ior mortgage; or*

18 “(II) *in the case only of the*
19 *shared equity approach under clause*
20 *(ii)(II), the mortgagor under the mort-*
21 *gage insured under this section*

22 “(7) *REQUIRED REDUCTION OF DEBT SERV-*
23 *ICE.—The debt service payments due under the mort-*
24 *gage insured under this section shall be in an amount*
25 *that is substantially reduced from the debt service*

1 *payments due under the existing mortgage or mort-*
2 *gages, which reduction may be achieved through a re-*
3 *duction of indebtedness, a reduction in the interest*
4 *rate being paid, or an extension of the term of the*
5 *mortgage, or any combination thereof.*

6 *“(8) FINANCIAL RECOVERY TO FEDERAL GOVERN-*
7 *MENT THROUGH EXIT PREMIUM.—*

8 *“(A) SUBORDINATE LIEN.—The mortgage*
9 *shall provide that the Secretary shall retain a*
10 *lien on the residence involved, which shall be*
11 *subordinate to the mortgage insured under this*
12 *section but senior to all other mortgages on the*
13 *residence that may exist at any time, and which*
14 *shall secure the repayment of the amount due*
15 *under subparagraph (D).*

16 *“(B) NO INTEREST OR PAYMENT DURING*
17 *MORTGAGE.—The amount secured by the lien re-*
18 *tained by the Secretary pursuant to subpara-*
19 *graph (A) shall not bear interest and shall not*
20 *be repayable to the Secretary except as provided*
21 *in subparagraph (D) of this paragraph.*

22 *“(C) NET PROCEEDS AVAILABLE FOR EXIT*
23 *PREMIUM.—Upon the sale, refinancing, or other*
24 *disposition of the residence covered by a mort-*
25 *gage insured under this section, any proceeds re-*

1 *sulting from such disposition that remain after*
2 *deducting the remaining insured principal bal-*
3 *ance of the mortgage insured under this section*
4 *shall be available to meet the obligation under*
5 *subparagraph (D).*

6 “(D) *EXIT PREMIUM.*—*Upon any refi-*
7 *nancing of the mortgage insured under this sec-*
8 *tion or any sale or disposition of the residence*
9 *covered by the mortgage, the Secretary shall, sub-*
10 *ject to the availability of sufficient net proceeds*
11 *described in subparagraph (C), receive the great-*
12 *er of—*

13 “(i) *3 percent of the amount of the*
14 *original insured principal obligation of the*
15 *mortgage; or*

16 “(ii) *a percentage of the portion of the*
17 *net proceeds described in subparagraph (C),*
18 *which shall be—*

19 “(I) *in the case of any refi-*
20 *nancing, sale, or disposition occurring*
21 *during the first year of the term of the*
22 *mortgage, 100 percent of such net pro-*
23 *ceeds;*

24 “(II) *in the case of any refi-*
25 *nancing, sale, or disposition occurring*

1 *during the second year of the term of*
2 *the mortgage, 80 percent;*

3 *“(III) in the case of any refi-*
4 *nancing, sale, or disposition occurring*
5 *during the third year of the term of the*
6 *mortgage, 60 percent; and*

7 *“(IV) in the case of any refi-*
8 *nancing, sale, or disposition occurring*
9 *during the fourth year of the term of*
10 *the mortgage or at any time thereafter,*
11 *50 percent;*

12 *except that such percentage of proceeds shall be*
13 *reduced by all fees the Secretary has collected for*
14 *the mortgage prior to such refinancing, sale, or*
15 *disposition.*

16 *“(E) AUTHORITY TO PROHIBIT NEW SECOND*
17 *LIENS.—The Oversight Board shall prohibit bor-*
18 *rowers from granting a new second lien on the*
19 *mortgaged property during the first five years of*
20 *the term of the mortgage insured under this sec-*
21 *tion, except as the Oversight Board determines to*
22 *be necessary to ensure the appropriate mainte-*
23 *nance of the mortgaged property.*

24 *“(9) DOCUMENTATION AND VERIFICATION OF IN-*
25 *COME.—In complying with the FHA underwriting re-*

1 *quirements under the program under this section, the*
2 *mortgagee under the mortgage shall document and*
3 *verify the income of the mortgagor by procuring an*
4 *Internal Revenue Service transcript of the income tax*
5 *returns of the mortgagor for the two most recent years*
6 *for which the filing deadline for such years has passed*
7 *and by any other method, in accordance with proce-*
8 *dures and standards that the Oversight Board or the*
9 *Secretary shall establish.*

10 *“(10) FIXED RATE MORTGAGE.—The mortgage*
11 *insured under this section shall bear interest at a sin-*
12 *gle rate that is fixed for the entire term of the mort-*
13 *gage.*

14 *“(11) MAXIMUM LOAN AMOUNT.—Notwith-*
15 *standing section 203(b)(2), the mortgage being in-*
16 *sured under this section shall involve a principal obli-*
17 *gation in an amount that does not exceed the limita-*
18 *tion (for a property of the applicable size) on the*
19 *amount of the principal obligation that would be al-*
20 *lowable under the terms of section 202(a) of the Eco-*
21 *nomics Stimulus Act of 2008 if the mortgage were in-*
22 *sured pursuant to such section. The limitation on the*
23 *amount of the principal obligation allowable under*
24 *such Act shall apply for the purposes of this Act until*

1 *the termination under subsection (n) of the program*
2 *under this subsection.*

3 “(12) *INELIGIBILITY FOR FRAUD CONVICTION.*—
4 *The mortgagor shall not have been convicted under*
5 *Federal or State law for mortgage fraud during the*
6 *7-year period ending upon the insurance of the mort-*
7 *gage under this section.*

8 “(13) *LENDER REVIEW.*—*The mortgagee under*
9 *the mortgage shall conduct an electronic database*
10 *search of the mortgagor’s criminal history to deter-*
11 *mine if the mortgagor has had a conviction described*
12 *in paragraph (12). The mortgagee may charge the*
13 *mortgagor a reasonable fee for the actual cost of the*
14 *search not to exceed a maximum rate established by*
15 *the Oversight Board. The Oversight Board may pro-*
16 *vide clarification, if needed, to help mortgagees iden-*
17 *tify any differences among the States in how they re-*
18 *port mortgage fraud convictions. The Oversight Board*
19 *shall establish procedures sufficient to allow the mort-*
20 *gagor to challenge a mortgagee’s determination with*
21 *respect to paragraph (12) (including to correct inac-*
22 *curacies resulting from theft of the mortgagor’s iden-*
23 *tity or personally identifiable information).*

1 “(14) *APPRAISALS.*—Any appraisal conducted in
2 *connection with a mortgage insured under this section*
3 *shall—*

4 “(A) *be based on the current value of the*
5 *property;*

6 “(B) *be conducted in accordance with title*
7 *XI of the Financial Institutions Reform, Recov-*
8 *ery, and Enforcement Act of 1989 (12 U.S.C.*
9 *3331 et seq.);*

10 “(C) *be completed by an appraiser who*
11 *meets the competency requirements of the Uni-*
12 *form Standards of Professional Appraisal Prac-*
13 *tice;*

14 “(D) *be wholly consistent with the ap-*
15 *praisal standards, practices, and procedures*
16 *under section 202(e) of this Act that apply to all*
17 *loans insured under this Act; and*

18 “(E) *comply with the requirements of sub-*
19 *section (g) of this section (relating to appraisal*
20 *independence).*

21 “(15) *STATEMENT OF LOAN TERMS.*—

22 “(A) *REQUIREMENT.*—*The mortgagor shall*
23 *have been provided by the mortgagee, not later*
24 *than three days after application for the mort-*
25 *gage, a form described in subparagraph (B) ap-*

1 *appropriately and accurately completed by the*
2 *mortgagee.*

3 “(B) *FORM.*—*The form described in this*
4 *subparagraph shall be a single page, written dis-*
5 *closure regarding the mortgage loan to be in-*
6 *sured under this section that, when completed by*
7 *the mortgagee, sets forth, in accordance with*
8 *such requirements as the Secretary shall by regu-*
9 *lation establish a best possible estimate of—*

10 “(i) *the total loan amount under the*
11 *mortgage;*

12 “(ii) *the loan-to-value ratio for the*
13 *mortgage;*

14 “(iii) *the final maturity date for the*
15 *mortgage;*

16 “(iv) *the amount of any prepayment*
17 *fee to be charged if the mortgage is paid in*
18 *full before the final maturity date for the*
19 *mortgage, including the percentages of any*
20 *net proceeds to be received by the Secretary*
21 *pursuant to paragraph (8)(D)(ii);*

22 “(v) *the amount of the exit premium*
23 *under the mortgage pursuant to subsection*
24 *(e)(3);*

1 “(vi) the interest rate under the mort-
2 gage expressed as an annual percentage
3 rate, and the amount of the monthly pay-
4 ment due under such rate;

5 “(vii) the fully indexed rate of interest
6 under the mortgage expressed as an annual
7 percentage rate and the amount of the
8 monthly payment due under such rate;

9 “(viii) the monthly household income
10 of the borrower upon which the mortgage is
11 based;

12 “(ix) the amount of the monthly pay-
13 ment due under the mortgage, and the
14 amount of such initial monthly payment
15 plus monthly amounts due for taxes and in-
16 surance on the property for which the mort-
17 gage is made, both expressed as a percentage
18 of the monthly household income of the bor-
19 rower; and

20 “(x) the aggregate amount of settlement
21 charges for all settlement services provided
22 in connection with the mortgage, the
23 amount of such charges that are included in
24 the principal amount and the amount of
25 such charges the borrower must pay at clos-

1 *ing, the aggregate amount of mortgagee's*
2 *fees connection with the mortgage, and the*
3 *aggregate amount of other fees or required*
4 *payments in connection with the mortgage.*

5 *“(d) FLEXIBLE UNDERWRITING CRITERIA.—*

6 *“(1) IN GENERAL.—The Oversight Board shall*
7 *establish, and the Secretary acting on behalf of the*
8 *Oversight Board shall implement, underwriting*
9 *standards for mortgages insured under this section*
10 *that—*

11 *“(A) ensure that each mortgagor under a*
12 *mortgage insured under this section has a rea-*
13 *sonable expectation of repaying the mortgage,*
14 *taking into consideration the mortgagor's in-*
15 *come, assets, liabilities, payment history, and*
16 *other applicable criteria, but which shall not re-*
17 *sult in a denial of insurance solely on the basis*
18 *of the mortgagor's current FICO or other credit*
19 *scores, or any delinquency or default by the*
20 *mortgagor under the existing mortgage or mort-*
21 *gages, or any case filed under title 11, United*
22 *States Code, by the mortgagor; and*

23 *“(B) subject to the provisions of subpara-*
24 *graph (A), permit a total debt-to-income ratio of*
25 *up to 43 percent.*

1 “(2) *EXCEPTION.*—

2 “(A) *IN GENERAL.*—*Subject to the under-*
3 *writing standards established under paragraph*
4 *(1)(A) and any additional requirements that the*
5 *Oversight Board considers appropriate, the Over-*
6 *sight Board shall permit a total debt-to-income*
7 *ratio of more than 43 percent, but not more than*
8 *50 percent, if the mortgagor has made, on a*
9 *timely basis before the endorsement of the mort-*
10 *gage insured under this section, not less than six*
11 *months of payments in an amount not less than*
12 *the amount of the monthly payment due under*
13 *the mortgage to be insured under this section.*
14 *The holder of the existing senior mortgage shall*
15 *exercise forbearance with respect to such mort-*
16 *gage during the period in which such payments*
17 *are made.*

18 “(B) *COMPUTATION OF DEBT-TO-INCOME*
19 *RATIO.*—*In computing the mortgagor’s total*
20 *debt-to-income ratio for purposes of mortgage*
21 *qualification under the underwriting standards*
22 *established pursuant to this section—*

23 “(i) *if the mortgagor is a debtor in a*
24 *case under chapter 13 of title 11, United*
25 *States Code, payments on recurring debts*

1 *other than housing expenses shall be based*
2 *on the amounts being paid on such debts*
3 *under the mortgagor's confirmed plan under*
4 *such chapter; and*

5 “(ii) *if the mortgagor is a debtor in a*
6 *case under chapter 7 of title 11, United*
7 *States Code, recurring debts that are to be*
8 *discharged in that case shall not be consid-*
9 *ered.*

10 “(3) *AUTHORITY.—The Oversight Board may*
11 *alter the ratios under this subsection for a particular*
12 *class of borrowers subject to such requirements as the*
13 *Board determines is necessary and appropriate to ful-*
14 *fill the purposes of this Act.*

15 “(4) *REPRESENTATIONS AND WARRANTIES.—The*
16 *Oversight Board shall require the underwriter of the*
17 *insured loan to provide such representations and war-*
18 *ranties as the Oversight Board considers necessary or*
19 *appropriate for the Secretary to enforce compliance*
20 *with all underwriting and appraisal standards of the*
21 *program.*

22 “(e) *PREMIUMS.—For each mortgage insured under*
23 *this section, the Oversight Board shall establish and the Sec-*
24 *retary shall collect—*

1 “(1) at the time of insurance, a single premium
2 payment in an amount equal to 3.0 percent of the
3 amount of the original insured principal obligation of
4 the mortgage, which shall be paid from the proceeds
5 of the mortgage being insured under this section,
6 through the reduction of the amount of indebtedness
7 on the existing senior mortgage required under sub-
8 section (c)(6)(A);

9 “(2) in addition to the premium under para-
10 graph (1), annual premium payments in an amount
11 equal to 1.50 percent of the remaining insured prin-
12 cipal balance of the mortgage; and

13 “(3) an exit premium in the amount determined
14 under subsection (c)(8), but which shall not be less
15 than 3.0 percent of the original insured principal ob-
16 ligation of the mortgage, subject only to the avail-
17 ability of sufficient net proceeds from sale, refi-
18 nancing, or other disposition of the property, as de-
19 termined in subsection (c)(8).

20 “(f) *ORIGINATION FEES AND MORTGAGE RATE.*—The
21 Oversight Board shall establish and the Secretary shall im-
22 plement a reasonable limitation on origination fees for
23 mortgages insured under this section and shall establish
24 procedures to ensure that interest rates on such mortgages

1 *shall be commensurate with market rate interest rates on*
2 *such types of loans.*

3 “(g) *APPRAISAL INDEPENDENCE.*—

4 “(1) *PROHIBITIONS ON INTERESTED PARTIES IN*
5 *A REAL ESTATE TRANSACTION.*—*No mortgage lender,*
6 *mortgage broker, mortgage banker, real estate broker,*
7 *appraisal management company, employee of an ap-*
8 *praisal management company, nor any other person*
9 *with an interest in a real estate transaction involving*
10 *an appraisal in connection with a mortgage insured*
11 *under this section shall improperly influence, or at-*
12 *tempt to improperly influence, through coercion, ex-*
13 *tortion, collusion, compensation, instruction, induce-*
14 *ment, intimidation, non-payment for services ren-*
15 *dered, or bribery, the development, reporting, result,*
16 *or review of a real estate appraisal sought in connec-*
17 *tion with the mortgage.*

18 “(2) *EXCEPTIONS.*—*The requirements of para-*
19 *graph (1) shall not be construed as prohibiting a*
20 *mortgage lender, mortgage broker, mortgage banker,*
21 *real estate broker, appraisal management company,*
22 *employee of an appraisal management company, or*
23 *any other person with an interest in a real estate*
24 *transaction from asking an appraiser to provide 1 or*
25 *more of the following services:*

1 “(A) Consider additional, appropriate
2 property information, including the consider-
3 ation of additional comparable properties to
4 make or support an appraisal.

5 “(B) Provide further detail, substantiation,
6 or explanation for the appraiser’s value conclu-
7 sion.

8 “(C) Correct errors in the appraisal report.

9 “(3) CIVIL MONETARY PENALTIES.—The Sec-
10 retary may impose a civil money penalty for any
11 knowing and material violation of paragraph (1)
12 under the same terms and conditions as are author-
13 ized in section 536(a) of this Act.

14 “(h) LIMITATION ON AGGREGATE INSURANCE AU-
15 THORITY.—The aggregate original principal obligation of
16 all mortgages insured under this section may not exceed
17 \$300,000,000,000.

18 “(i) ENHANCEMENT OF FHA CAPACITY.—Under the
19 direction of the Oversight Board, the Secretary shall take
20 such actions as may be necessary to—

21 “(1) contract for the establishment of under-
22 writing criteria, automated underwriting systems,
23 pricing standards, and other factors relating to eligi-
24 bility for mortgages insured under this section;

1 “(2) contract for independent quality reviews of
2 underwriting, including appraisal reviews and fraud
3 detection, of mortgages insured under this section or
4 pools of such mortgages; and

5 “(3) increase personnel of the Department as
6 necessary to process or monitor the processing of
7 mortgages insured under this section.

8 “(j) *MONITORING OF UNDERWRITING RISK.*—

9 “(1) *MONITORING OF DESIGNATED UNDER-*
10 *WRITERS.*—*The Oversight Board and the Secretary*
11 *shall monitor independent quality reviews as estab-*
12 *lished pursuant to subsection (i)(2) to—*

13 “(A) determine compliance of designated
14 underwriters with underwriting standards;

15 “(B) determine rates of delinquency, claims
16 rates, and loss rates of designated underwriters;
17 and

18 “(C) terminate eligibility of designated un-
19 derwriters that do not meet minimum perform-
20 ance standards as the Oversight Board may es-
21 tablish and the Secretary implements.

22 “(2) *REPORTS BY OVERSIGHT BOARD.*—*The*
23 *Oversight Board shall submit monthly reports to the*
24 *Congress identifying the progress of the program for*

1 mortgage insurance under this section, which shall
2 contain the following information for each month:

3 “(A) The number of new mortgages insured
4 under this section, including the location of the
5 properties subject to such mortgages by census
6 tract.

7 “(B) The aggregate principal obligation of
8 new mortgages insured under this section.

9 “(C) The average amount by which the in-
10 debtedness on existing mortgages is reduced in
11 accordance with subsection (c)(6).

12 “(D) The average amount by which the debt
13 service payments on existing mortgages is re-
14 duced in accordance with subsection (c)(7).

15 “(E) The amount of premiums collected for
16 insurance of mortgages under this section.

17 “(F) The claim and loss rates for mortgages
18 insured under this section.

19 “(G) The race, ethnicity, gender, and in-
20 come of the mortgagors, aggregated by geo-
21 graphical areas at least as specific as census
22 tracts, except where necessary to protect privacy
23 of the borrower.

24 “(H) Any other information that the Over-
25 sight Board considers appropriate.

1 “(3) *REPORT BY INSPECTOR GENERAL.*—*The In-*
2 *pector General of the Department of Housing and*
3 *Urban Development shall conduct an annual audit of*
4 *the program for mortgage insurance under this sec-*
5 *tion to determine compliance with this section and*
6 *program rules.*

7 “(k) *GNMA COMMITMENT AUTHORITY.*—

8 “(1) *GUARANTEES.*—*The Secretary shall take*
9 *such actions as may be necessary to ensure that secu-*
10 *rities based on and backed by a trust or pool com-*
11 *posed of mortgages insured under this section are*
12 *available to be guaranteed by the Government Na-*
13 *tional Mortgage Association as to the timely payment*
14 *of principal and interest.*

15 “(2) *GUARANTEE AUTHORITY.*—*To carry out the*
16 *purposes of section 306 of the National Housing Act*
17 *(12 U.S.C. 1721), the Government National Mortgage*
18 *Association may enter into new commitments to issue*
19 *guarantees of securities based on or backed by mort-*
20 *gages insured under this section, not exceeding*
21 *\$300,000,000,000. The amount of authority provided*
22 *under the preceding sentence to enter into new com-*
23 *mitments to issue guarantees is in addition to any*
24 *amount of authority to make new commitments to*

1 *issue guarantees that is provided to the Association*
2 *under any other provision of law.*

3 “(l) *SPECIAL RISK INSURANCE FUND.*—*The insurance*
4 *of each mortgage under this section shall be the obligation*
5 *of the Special Risk Insurance Fund established by section*
6 *238.*

7 “(m) *DEFINITIONS.*—*For purposes of this section, the*
8 *following definitions shall apply:*

9 “(1) *EXISTING MORTGAGE.*—*The term ‘existing*
10 *mortgage’ means, with respect to a mortgage insured*
11 *under this section, a mortgage that is to be extin-*
12 *guished, and paid or prepaid, from the proceeds of the*
13 *mortgage insured under this section.*

14 “(2) *EXISTING SENIOR MORTGAGE.*—*The term*
15 *‘existing senior mortgage’ means, with respect to a*
16 *mortgage insured under this section, the existing*
17 *mortgage that has superior priority.*

18 “(3) *EXISTING SUBORDINATE MORTGAGE.*—*The*
19 *term ‘existing subordinate mortgage’ means, with re-*
20 *spect to a mortgage insured under this section, an ex-*
21 *isting mortgage that has subordinate priority to the*
22 *existing senior mortgage.*

23 “(n) *SUNSET.*—

24 “(1) *IN GENERAL.*—*Except as provided in para-*
25 *graph (2), the authority of the Secretary to make any*

1 *new commitment to insure any mortgage under this*
2 *section shall terminate upon the expiration of the 2-*
3 *year period beginning on the date of the enactment of*
4 *the FHA Housing Stabilization and Homeownership*
5 *Retention Act of 2008.*

6 “(2) *EXTENSIONS.—The Oversight Board may,*
7 *not more than four times, extend the authority to*
8 *enter into new commitments to insure mortgages*
9 *under this section beyond the date specified in para-*
10 *graph (1), except that each such extension shall—*

11 “(A) *be effective only if, before the program*
12 *terminates pursuant to paragraph (1) or any*
13 *previous extension pursuant to this paragraph,*
14 *the Oversight Board—*

15 “(i) *certifies the need for such exten-*
16 *sion in writing to the Congress; and*

17 “(ii) *causes notice of such extension to*
18 *be published in the Federal Register no later*
19 *than the beginning of the 3-month period*
20 *that ends upon the scheduled termination*
21 *date of the program; and*

22 “(B) *be for a period of not more than 6*
23 *months.*

1 “(o) *AUTHORIZATIONS OF APPROPRIATIONS.—There is*
2 *authorized to be appropriated for each of fiscal years 2008*
3 *and 2009—*

4 “(1) *\$210,000,000 for providing counseling re-*
5 *garding loss mitigation for mortgagors with 1- to 4-*
6 *family residences, including determining eligibility*
7 *for the program under this section, with grants to be*
8 *administered through the Neighborhood Reinvestment*
9 *Corporation, except that—*

10 “(A) *not less than 15 percent of the funds*
11 *made available pursuant to this paragraph shall*
12 *be provided to counseling organizations that tar-*
13 *get counseling services regarding loss mitigation*
14 *to minority and low-income homeowners or pro-*
15 *vide such services in neighborhoods with high*
16 *concentrations of minority and low-income*
17 *homeowners;*

18 “(B) *\$35,000,000 of the funds made avail-*
19 *able pursuant to this paragraph shall be used by*
20 *the Neighborhood Reinvestment Corporation (re-*
21 *ferred to in this subparagraph as the ‘NRC’) to*
22 *make grants to State and local legal organiza-*
23 *tions or attorneys that have demonstrated legal*
24 *experience in home foreclosure or eviction law to*
25 *provide legal assistance related to home owner-*

1 *ship preservation, home foreclosure prevention,*
2 *and tenancy associated with home foreclosure or*
3 *to counseling intermediaries that have been ap-*
4 *proved by the Department of Housing and*
5 *Urban Development for the purpose of making*
6 *such grants or contracting for such legal assist-*
7 *ance; of the amount provided under this sub-*
8 *paragraph, at least 60 percent shall be allocated*
9 *for legal assistance to low-income homeowners or*
10 *tenants; such attorneys shall be capable of assist-*
11 *ing homeowners in owner-occupied homes or ten-*
12 *ants who live in homes with mortgages in de-*
13 *fault, in danger of default, or subject to or at*
14 *risk of foreclosure or eviction and who have legal*
15 *issues that cannot be handled by counselors em-*
16 *ployed by NRC intermediaries; in using the*
17 *amount made available under this subpara-*
18 *graph, the NRC shall give priority consideration*
19 *to State and local legal organizations and attor-*
20 *neys that (i) provide legal assistance in the 100*
21 *metropolitan statistical areas (as defined by the*
22 *Director of the Office of Management and Budg-*
23 *et) with the highest home foreclosure rates, and*
24 *(ii) have the capacity to begin using the finan-*
25 *cial assistance within 90 days after receipt of the*

1 *assistance; as a condition of the receipt of a*
2 *grant under this subparagraph, the grantee shall*
3 *submit to NRC information relating to the demo-*
4 *graphic characteristics of the assisted home-*
5 *owners or tenants, the dollar amount and terms*
6 *of the relevant mortgages and the outcome of*
7 *legal proceedings related to the foreclosure or*
8 *eviction proceedings, including the resolutions*
9 *thereof;*

10 *“(C) some such sums shall be used for such*
11 *counseling for veterans recently returning from*
12 *active duty in the Armed Forces;*

13 *“(D) the NRC shall give priority consider-*
14 *ation for funding with amounts made available*
15 *pursuant to this paragraph, except for funds*
16 *made available under subparagraphs (A) and*
17 *(B), to entities that have an effective plan in*
18 *place for making contact, including personal*
19 *contact, with defaulted mortgagors, and such a*
20 *plan may include use of third parties (including*
21 *both for-profit and not-for-profit entities) to*
22 *make personal contact with defaulted mortga-*
23 *gors, or visits to such mortgagors, or both;*

24 *“(E) except with respect to funds reserved*
25 *under subparagraphs (A) and (B), the NRC shall*

1 *give priority consideration for funding with*
2 *amounts made available pursuant to this para-*
3 *graph to entities that have a written plan that*
4 *has been implemented for providing in-person*
5 *counseling and for making contact, including*
6 *personal contact, with defaulted mortgagors, for*
7 *the purpose of providing counseling or providing*
8 *information about available counseling, both (i)*
9 *prior to commencement of any foreclosure pro-*
10 *ceedings, and (ii) in the event effective in person*
11 *or phone contact has not been made with such*
12 *defaulted mortgagors prior thereto, then prior to*
13 *the conclusion of the foreclosure process; and*

14 *“(F) not less than 2 percent of the funds*
15 *made available pursuant to this paragraph shall*
16 *be used only for identifying and notifying bor-*
17 *rowers under existing mortgages who are eligible*
18 *under this section for insurance of refinancing*
19 *mortgages, and in making funds reserved under*
20 *this subparagraph available for such purpose, the*
21 *Secretary shall give preference to assistance for*
22 *programs that have a proven history of outreach*
23 *within minority communities; and*

24 *“(2) \$150,000,000 for costs of activities under*
25 *subsection (i).*

1 “(p) *AUDIT AND REPORT BY INSPECTOR GENERAL.*—

2 “(1) *AUDIT.*—*The Inspector General of the De-*
3 *partment of Housing and Urban Development shall*
4 *conduct an audit of the program for loss mitigation*
5 *counseling funded with amounts made available*
6 *under subsection (o)(1) to determine compliance with*
7 *such subsection.*

8 “(2) *REPORTS TO CONGRESS.*—*Not later than*
9 *March 30, 2009, and every calendar quarter there-*
10 *after, the Inspector General shall submit to the appro-*
11 *priate committees of the Congress a report summa-*
12 *rizing the activities of the Inspector General and the*
13 *Neighborhood Reinvestment Corporation during the*
14 *120-day period ending on the date of such report.*
15 *Each report shall include, for the period covered by*
16 *such report, a detailed statement of all obligations, ex-*
17 *penditures, and revenues associated with paragraphs*
18 *(1) and (2) of subsection (o), including—*

19 “(A) *obligations and expenditures of appro-*
20 *priated funds;*

21 “(B) *the number of homeowners eligible in*
22 *such program;*

23 “(C) *the number of homeowners partici-*
24 *pating in such program;*

1 “(D) the status of homeowners within such
2 program;

3 “(E) the number of homeowners who have
4 rejected assistance from the Neighborhood Rein-
5 vestment Corporation; and

6 “(F) information on participating coun-
7 seling services.”.

8 (b) *SPECIAL RISK INSURANCE FUND*.—Section 238 of
9 the National Housing Act (12 U.S.C. 1715z–3) is amend-
10 ed—

11 (1) in subsection (a)(1), by striking “or 243”
12 each place such term appears and inserting “243, or
13 257”; and

14 (2) in subsection (b), by striking “and 243” each
15 place such term appears and inserting “243, and
16 257”.

17 **SEC. 103. STUDY OF AUCTION OR BULK REFINANCE PRO-**
18 **GRAM.**

19 (a) *STUDY*.—The Board of Governors of the Federal
20 Reserve System (in this section referred to as the “Board
21 of Governors”), in consultation with other members of the
22 Oversight Board established by section 257(a) of the Na-
23 tional Housing Act (as added by the amendment made by
24 section 102(a) of this Act), shall conduct a study of the need
25 for and efficacy of an auction or bulk refinancing mecha-

1 *nism to facilitate refinancing of existing residential mort-*
2 *gages that are at risk for foreclosure into mortgages insured*
3 *under the mortgage insurance program under title II of the*
4 *National Housing Act. The study shall identify and exam-*
5 *ine various options for mechanisms under which lenders*
6 *and servicers of such mortgages may make bids for forward*
7 *commitments for such insurance in an expedited manner.*

8 (b) *CONTENT.—*

9 (1) *ANALYSIS.—The study required under sub-*
10 *section (a) shall analyze—*

11 (A) *the feasibility of establishing a mecha-*
12 *nism that would facilitate the more rapid refi-*
13 *nancing of borrowers at risk of foreclosure into*
14 *performing mortgages insured under title II of*
15 *the National Housing Act;*

16 (B) *whether such a mechanism would pro-*
17 *vide an effective and efficient mechanism to re-*
18 *duce foreclosures on qualified existing mortgages;*

19 (C) *whether the use of an auction or bulk*
20 *refinance program is necessary to stabilize the*
21 *housing market and reduce the impact of turmoil*
22 *in that market on the economy of the United*
23 *States;*

1 (D) whether there are other mechanisms or
2 authority that would be useful to reduce fore-
3 closure; and

4 (E) and any other factors that the Board of
5 Governors considers relevant.

6 (2) DETERMINATIONS.—To the extent that the
7 Board of Governors finds that a facility of the type
8 described in paragraph (1) is feasible and useful, the
9 study shall—

10 (A) determine and identify any additional
11 authority or resources needed to establish and
12 operate such a mechanism;

13 (B) determine whether there is a need for
14 additional authority with respect to the loan un-
15 derwriting criteria included in the amendment
16 made by section 102(a) of this Act or with re-
17 spect to eligibility of participating borrowers,
18 lenders, or holders of liens; and

19 (C) determine whether such underwriting
20 criteria should be established on the basis of in-
21 dividual loans, in the aggregate, or otherwise to
22 facilitate the goal of refinancing borrowers at
23 risk of foreclosure into viable loans insured
24 under the National Housing Act.

1 (c) *REPORT.*—Not later than the expiration of the 60-
2 day period beginning on the date of the enactment of this
3 Act, the Board of Governors shall submit a report regarding
4 the results of the study conducted under this section to the
5 Committee on Financial Services of the House of Represent-
6 atives and the Committee on Banking, Housing, and Urban
7 Affairs of the Senate. The report shall include a detailed
8 description of the analysis required under subsection (b)(1)
9 and of the determinations made pursuant to subsection
10 (b)(2), and shall include any other findings and rec-
11 ommendations of the Board of Governors pursuant to the
12 study, including identifying various options for mecha-
13 nisms described in subsection (a).

14 **SEC. 104. TEMPORARY INCREASE IN MAXIMUM LOAN GUAR-**
15 **ANTY AMOUNT FOR CERTAIN HOUSING**
16 **LOANS GUARANTEED BY SECRETARY OF VET-**
17 **ERANS AFFAIRS.**

18 Notwithstanding subparagraph (C) of section
19 3703(a)(1) of title 38, United States Code, for purposes of
20 any loan described in subparagraph (A)(i)(IV) of such sec-
21 tion that is originated during the period beginning on the
22 date of the enactment of this Act and ending on December
23 31, 2008, the term “maximum guaranty amount” shall
24 mean an amount equal to 25 percent of the higher of—

1 (1) *the limitation determined under section*
2 *305(a)(2) of the Federal Home Loan Mortgage Cor-*
3 *poration Act (12 U.S.C. 1454(a)(2)) for the calendar*
4 *year in which the loan is originated for a single-fam-*
5 *ily residence; or*

6 (2) *125 percent of the area median price for a*
7 *single-family residence, but in no case to exceed 175*
8 *percent of the limitation determined under such sec-*
9 *tion 305(a)(2) for the calendar year in which the loan*
10 *is originated for a single-family residence.*

11 **SEC. 105. STUDY OF POSSIBLE ACCOUNTING REVISIONS RE-**
12 **LATING TO PROPERTY AT RISK OF FORE-**
13 **CLOSURE AND THE AVAILABILITY OF CREDIT**
14 **FOR REFINANCING HOME MORTGAGES AT**
15 **RISK OF FORECLOSURE.**

16 (a) *STUDY REQUIRED.*—*The Board of Governors of the*
17 *Federal Reserve System shall conduct a study on mark-to-*
18 *market accounting standards applicable to depository insti-*
19 *tutions with respect to their residential mortgages that are*
20 *at risk of foreclosure, the effects of such accounting stand-*
21 *ards and capital requirements on a depository institution's*
22 *capacity to provide refinancing to residential mortgagors*
23 *that are at risk of foreclosure and to residential mortgagors*
24 *during periods of market value declines and increased fore-*
25 *closures, and the feasibility of modifications of such stand-*

1 ards, requirements, and regulatory actions during periods
2 of market fluctuation in order to maintain the ability of
3 the institution to continue to carry mortgages on residential
4 property at risk of foreclosure and assure the availability
5 of credit to refinance at-risk residential mortgages.

6 (b) *REPORT REQUIRED.*—The Board of Governors of
7 the Federal Reserve System shall submit a report to the
8 Congress before the end of the 90-day period beginning on
9 the date of the enactment of this Act containing the findings
10 and determinations of the Board with respect to the study
11 conducted under subsection (a) and such administrative
12 and legislative recommendations as the Board may deter-
13 mine to be appropriate.

14 **SEC. 106. GAO STUDY OF THE EFFECT OF TIGHTENING**
15 **CREDIT MARKETS IN COMMUNITIES AF-**
16 **FECTED BY THE SUBPRIME MORTGAGE FORE-**
17 **CLOSURE CRISES AND PREDATORY LENDING**
18 **ON PROSPECTIVE FIRST-TIME HOMEBUYERS**
19 **SEEKING MORTGAGES.**

20 The Comptroller General of the United States shall
21 conduct a study to analyze the effects of tightening credit
22 markets on prospective first-time home buyers who reside
23 in selected communities that have been most detrimentally
24 affected by both the current subprime mortgage foreclosure
25 crisis and predatory mortgage lending. Such study shall

1 *also analyze the adequacy of financial literacy outreach ef-*
2 *forts by agencies of the Federal Government tasked with im-*
3 *plementing financial literacy education in such commu-*
4 *nities and shall assess whether the current funding levels*
5 *for such efforts are at sufficient levels to reduce the levels*
6 *of subprime mortgage delinquencies and foreclosures and to*
7 *increase the level of financial literacy in the selected com-*
8 *munities so as to minimize the incidences of predatory*
9 *mortgage lending. Not later than the expiration of the 6-*
10 *month period beginning on the date of the enactment of this*
11 *Act, the Comptroller General shall submit a report to the*
12 *Congress setting forth the results of the study and including*
13 *recommendations regarding such funding levels.*

14 **TITLE II—OFFICE OF HOUSING**
15 **COUNSELING**

16 **SEC. 201. SHORT TITLE.**

17 *This title may be cited as the “Expand and Preserve*
18 *Home Ownership Through Counseling Act”.*

19 **SEC. 202. ESTABLISHMENT OF OFFICE OF HOUSING COUN-**
20 **SELING.**

21 *Section 4 of the Department of Housing and Urban*
22 *Development Act (42 U.S.C. 3533) is amended by adding*
23 *at the end the following new subsection:*

24 *“(g) OFFICE OF HOUSING COUNSELING.—*

1 “(1) *ESTABLISHMENT.*—*There is established, in*
2 *the Office of the Secretary, the Office of Housing*
3 *Counseling.*

4 “(2) *DIRECTOR.*—*There is established the posi-*
5 *tion of Director of Housing Counseling. The Director*
6 *shall be the head of the Office of Housing Counseling*
7 *and shall be appointed by the Secretary. Such posi-*
8 *tion shall be a career-reserved position in the Senior*
9 *Executive Service.*

10 “(3) *FUNCTIONS.*—

11 “(A) *IN GENERAL.*—*The Director shall have*
12 *ultimate responsibility within the Department,*
13 *except for the Secretary, for all activities and*
14 *matters relating to homeownership counseling*
15 *and rental housing counseling, including—*

16 “(i) *research, grant administration,*
17 *public outreach, and policy development re-*
18 *lating to such counseling; and*

19 “(ii) *establishment, coordination, and*
20 *administration of all regulations, require-*
21 *ments, standards, and performance meas-*
22 *ures under programs and laws administered*
23 *by the Department that relate to housing*
24 *counseling, homeownership counseling (in-*
25 *cluding maintenance of homes), mortgage-*

1 *related counseling (including home equity*
2 *conversion mortgages and credit protection*
3 *options to avoid foreclosure), and rental*
4 *housing counseling, including the require-*
5 *ments, standards, and performance meas-*
6 *ures relating to housing counseling.*

7 “(B) *SPECIFIC FUNCTIONS.—The Director*
8 *shall carry out the functions assigned to the Di-*
9 *rector and the Office under this section and any*
10 *other provisions of law. Such functions shall in-*
11 *clude establishing rules necessary for—*

12 “(i) *the counseling procedures under*
13 *section 106(g)(1) of the Housing and Urban*
14 *Development Act of 1968 (12 U.S.C.*
15 *1701x(h)(1));*

16 “(ii) *carrying out all other functions of*
17 *the Secretary under section 106(g) of the*
18 *Housing and Urban Development Act of*
19 *1968, including the establishment, oper-*
20 *ation, and publication of the availability of*
21 *the toll-free telephone number under para-*
22 *graph (2) of such section;*

23 “(iii) *carrying out section 5 of the*
24 *Real Estate Settlement Procedures Act of*
25 *1974 (12 U.S.C. 2604) for home buying in-*

1 *formation booklets prepared pursuant to*
2 *such section;*

3 “(iv) *carrying out the certification*
4 *program under section 106(e) of the Hous-*
5 *ing and Urban Development Act of 1968*
6 *(12 U.S.C. 1701x(e));*

7 “(v) *carrying out the assistance pro-*
8 *gram under section 106(a)(4) of the Hous-*
9 *ing and Urban Development Act of 1968,*
10 *including criteria for selection of applica-*
11 *tions to receive assistance;*

12 “(vi) *carrying out any functions re-*
13 *garding abusive, deceptive, or unscrupulous*
14 *lending practices relating to residential*
15 *mortgage loans that the Secretary considers*
16 *appropriate, which shall include conducting*
17 *the study under section 206 of the Expand*
18 *and Preserve Home Ownership Through*
19 *Counseling Act;*

20 “(vii) *providing for operation of the*
21 *advisory committee established under para-*
22 *graph (4) of this subsection;*

23 “(viii) *collaborating with community-*
24 *based organizations with expertise in the*
25 *field of housing counseling; and*

1 “(ix) providing for the building of ca-
2 pacity to provide housing counseling serv-
3 ices in areas that lack sufficient services.

4 “(4) *ADVISORY COMMITTEE.*—

5 “(A) *IN GENERAL.*—*The Secretary shall ap-*
6 *point an advisory committee to provide advice*
7 *regarding the carrying out of the functions of the*
8 *Director.*

9 “(B) *MEMBERS.*—*Such advisory committee*
10 *shall consist of not more than 12 individuals,*
11 *and the membership of the committee shall equal-*
12 *ly represent all aspects of the mortgage and real*
13 *estate industry, including consumers.*

14 “(C) *TERMS.*—*Except as provided in sub-*
15 *paragraph (D), each member of the advisory*
16 *committee shall be appointed for a term of 3*
17 *years. Members may be reappointed at the dis-*
18 *cretion of the Secretary.*

19 “(D) *TERMS OF INITIAL APPOINTEES.*—*As*
20 *designated by the Secretary at the time of ap-*
21 *pointment, of the members first appointed to the*
22 *advisory committee, 4 shall be appointed for a*
23 *term of 1 year and 4 shall be appointed for a*
24 *term of 2 years.*

1 “(E) *PROHIBITION OF PAY; TRAVEL EX-*
2 *PENSES.—Members of the advisory committee*
3 *shall serve without pay, but shall receive travel*
4 *expenses, including per diem in lieu of subsist-*
5 *ence, in accordance with applicable provisions*
6 *under subchapter I of chapter 57 of title 5,*
7 *United States Code.*

8 “(F) *ADVISORY ROLE ONLY.—The advisory*
9 *committee shall have no role in reviewing or*
10 *awarding housing counseling grants.*

11 “(5) *SCOPE OF HOMEOWNERSHIP COUN-*
12 *SELING.—In carrying out the responsibilities of the*
13 *Director, the Director shall ensure that homeowner-*
14 *ship counseling provided by, in connection with, or*
15 *pursuant to any function, activity, or program of the*
16 *Department addresses the entire process of home-*
17 *ownership, including the decision to purchase a home,*
18 *the selection and purchase of a home, issues arising*
19 *during or affecting the period of ownership of a home*
20 *(including refinancing, default and foreclosure, and*
21 *other financial decisions), and the sale or other dis-*
22 *position of a home.”.*

1 **SEC. 203. COUNSELING PROCEDURES.**

2 (a) *IN GENERAL.*—Section 106 of the Housing and
3 *Urban Development Act of 1968 (12 U.S.C. 1701x)* is
4 amended by adding at the end the following new subsection:

5 “(g) *PROCEDURES AND ACTIVITIES.*—

6 “(1) *COUNSELING PROCEDURES.*—

7 “(A) *IN GENERAL.*—The Secretary shall es-
8 tablish, coordinate, and monitor the administra-
9 tion by the Department of Housing and Urban
10 Development of the counseling procedures for
11 homeownership counseling and rental housing
12 counseling provided in connection with any pro-
13 gram of the Department, including all require-
14 ments, standards, and performance measures
15 that relate to homeownership and rental housing
16 counseling.

17 “(B) *HOMEOWNERSHIP COUNSELING.*—For
18 purposes of this subsection and as used in the
19 provisions referred to in this subparagraph, the
20 term ‘homeownership counseling’ means coun-
21 seling related to homeownership and residential
22 mortgage loans. Such term includes counseling
23 related to homeownership and residential mort-
24 gage loans that is provided pursuant to—

1 “(i) section 105(a)(20) of the Housing
2 and Community Development Act of 1974
3 (42 U.S.C. 5305(a)(20));

4 “(ii) in the United States Housing Act
5 of 1937—

6 “(I) section 9(e) (42 U.S.C.
7 1437g(e));

8 “(II) section 8(y)(1)(D) (42
9 U.S.C. 1437f(y)(1)(D));

10 “(III) section 18(a)(4)(D) (42
11 U.S.C. 1437p(a)(4)(D));

12 “(IV) section 23(c)(4) (42 U.S.C.
13 1437u(c)(4));

14 “(V) section 32(e)(4) (42 U.S.C.
15 1437z-4(e)(4));

16 “(VI) section 33(d)(2)(B) (42
17 U.S.C. 1437z-5(d)(2)(B));

18 “(VII) sections 302(b)(6) and
19 303(b)(7) (42 U.S.C. 1437aaa-1(b)(6),
20 1437aaa-2(b)(7)); and

21 “(VIII) section 304(c)(4) (42
22 U.S.C. 1437aaa-3(c)(4));

23 “(iii) section 302(a)(4) of the Amer-
24 ican Homeownership and Economic Oppor-
25 tunity Act of 2000 (42 U.S.C. 1437f note);

1 “(iv) sections 233(b)(2) and 258(b) of
2 the Cranston-Gonzalez National Affordable
3 Housing Act (42 U.S.C. 12773(b)(2),
4 12808(b));

5 “(v) this section and section 101(e) of
6 the Housing and Urban Development Act of
7 1968 (12 U.S.C. 1701x, 1701w(e));

8 “(vi) section 220(d)(2)(G) of the Low-
9 Income Housing Preservation and Resident
10 Homeownership Act of 1990 (12 U.S.C.
11 4110(d)(2)(G));

12 “(vii) sections 422(b)(6), 423(b)(7),
13 424(c)(4), 442(b)(6), and 443(b)(6) of the
14 Cranston-Gonzalez National Affordable
15 Housing Act (42 U.S.C. 12872(b)(6),
16 12873(b)(7), 12874(c)(4), 12892(b)(6), and
17 12893(b)(6));

18 “(viii) section 491(b)(1)(F)(iii) of the
19 McKinney-Vento Homeless Assistance Act
20 (42 U.S.C. 11408(b)(1)(F)(iii));

21 “(ix) sections 202(3) and 810(b)(2)(A)
22 of the Native American Housing and Self-
23 Determination Act of 1996 (25 U.S.C.
24 4132(3), 4229(b)(2)(A));

25 “(x) in the National Housing Act—

1 “(I) in section 203 (12 U.S.C.
2 1709), the penultimate undesignated
3 paragraph of paragraph (2) of sub-
4 section (b), subsection (c)(2)(A), and
5 subsection (r)(4);

6 “(II) subsections (a) and (c)(3) of
7 section 237 (12 U.S.C. 1715z–2); and

8 “(III) subsections (d)(2)(B) and
9 (m)(1) of section 255 (12 U.S.C.
10 1715z–20);

11 “(xi) section 502(h)(4)(B) of the Hous-
12 ing Act of 1949 (42 U.S.C. 1472(h)(4)(B));
13 and

14 “(xii) section 508 of the Housing and
15 Urban Development Act of 1970 (12 U.S.C.
16 1701z–7).

17 “(C) RENTAL HOUSING COUNSELING.—For
18 purposes of this subsection, the term ‘rental hous-
19 ing counseling’ means counseling related to rent-
20 al of residential property, which may include
21 counseling regarding future homeownership op-
22 portunities and providing referrals for renters
23 and prospective renters to entities providing
24 counseling and shall include counseling related
25 to such topics that is provided pursuant to—

1 “(i) section 105(a)(20) of the Housing
2 and Community Development Act of 1974
3 (42 U.S.C. 5305(a)(20));

4 “(ii) in the United States Housing Act
5 of 1937—

6 “(I) section 9(e) (42 U.S.C.
7 1437g(e));

8 “(II) section 18(a)(4)(D) (42
9 U.S.C. 1437p(a)(4)(D));

10 “(III) section 23(c)(4) (42 U.S.C.
11 1437u(c)(4));

12 “(IV) section 32(e)(4) (42 U.S.C.
13 1437z-4(e)(4));

14 “(V) section 33(d)(2)(B) (42
15 U.S.C. 1437z-5(d)(2)(B)); and

16 “(VI) section 302(b)(6) (42 U.S.C.
17 1437aaa-1(b)(6));

18 “(iii) section 233(b)(2) of the Cran-
19 ston-Gonzalez National Affordable Housing
20 Act (42 U.S.C. 12773(b)(2));

21 “(iv) section 106 of the Housing and
22 Urban Development Act of 1968 (12 U.S.C.
23 1701x);

1 “(v) section 422(b)(6) of the Cranston-
2 Gonzalez National Affordable Housing Act
3 (42 U.S.C. 12872(b)(6));

4 “(vi) section 491(b)(1)(F)(iii) of the
5 McKinney-Vento Homeless Assistance Act
6 (42 U.S.C. 11408(b)(1)(F)(iii));

7 “(vii) sections 202(3) and 810(b)(2)(A)
8 of the Native American Housing and Self-
9 Determination Act of 1996 (25 U.S.C.
10 4132(3), 4229(b)(2)(A)); and

11 “(viii) the rental assistance program
12 under section 8 of the United States Hous-
13 ing Act of 1937 (42 U.S.C. 1437f).

14 “(2) *STANDARDS FOR MATERIALS.*—*The Sec-*
15 *retary, in conjunction with the advisory committee es-*
16 *tablished under subsection (g)(4) of the Department of*
17 *Housing and Urban Development Act, shall establish*
18 *standards for materials and forms to be used, as ap-*
19 *propriate, by organizations providing homeownership*
20 *counseling services, including any recipients of assist-*
21 *ance pursuant to subsection (a)(4).*

22 “(3) *MORTGAGE SOFTWARE SYSTEMS.*—

23 “(A) *CERTIFICATION.*—*The Secretary shall*
24 *provide for the certification of various computer*
25 *software programs for consumers to use in evalu-*

1 *ating different residential mortgage loan pro-*
2 *posals. The Secretary shall require, for such cer-*
3 *tification, that the mortgage software systems*
4 *take into account—*

5 *“(i) the consumer’s financial situation*
6 *and the cost of maintaining a home, includ-*
7 *ing insurance, taxes, and utilities;*

8 *“(ii) the amount of time the consumer*
9 *expects to remain in the home or expected*
10 *time to maturity of the loan; and*

11 *“(iii) such other factors as the Sec-*
12 *retary considers appropriate to assist the*
13 *consumer in evaluating whether to pay*
14 *points, to lock in an interest rate, to select*
15 *an adjustable or fixed rate loan, to select a*
16 *conventional or government-insured or*
17 *guaranteed loan and to make other choices*
18 *during the loan application process.*

19 *If the Secretary determines that available exist-*
20 *ing software is inadequate to assist consumers*
21 *during the residential mortgage loan application*
22 *process, the Secretary shall arrange for the devel-*
23 *opment by private sector software companies of*
24 *new mortgage software systems that meet the*
25 *Secretary’s specifications.*

1 “(B) *USE AND INITIAL AVAILABILITY.*—
2 *Such certified computer software programs shall*
3 *be used to supplement, not replace, housing coun-*
4 *seling. The Secretary shall provide that such pro-*
5 *grams are initially used only in connection with*
6 *the assistance of housing counselors certified pur-*
7 *suant to subsection (e).*

8 “(C) *AVAILABILITY.*—*After a period of ini-*
9 *tial availability under subparagraph (B) as the*
10 *Secretary considers appropriate, the Secretary*
11 *shall take reasonable steps to make mortgage*
12 *software systems certified pursuant to this para-*
13 *graph widely available through the Internet and*
14 *at public locations, including public libraries,*
15 *senior-citizen centers, public housing sites, offices*
16 *of public housing agencies that administer rental*
17 *housing assistance vouchers, and housing coun-*
18 *seling centers.*

19 “(4) *NATIONAL PUBLIC SERVICE MULTIMEDIA*
20 *CAMPAIGNS TO PROMOTE HOUSING COUNSELING.*—

21 “(A) *IN GENERAL.*—*The Director of Hous-*
22 *ing Counseling shall develop, implement, and*
23 *conduct national public service multimedia cam-*
24 *paings designed to make persons facing mortgage*
25 *foreclosure, persons considering a subprime*

1 mortgage loan to purchase a home, elderly per-
2 sons, persons who face language barriers, low-in-
3 come persons, and other potentially vulnerable
4 consumers aware that it is advisable, before seek-
5 ing or maintaining a residential mortgage loan,
6 to obtain homeownership counseling from an un-
7 biased and reliable sources and that such home-
8 ownership counseling is available, including
9 through programs sponsored by the Secretary of
10 Housing and Urban Development.

11 “(B) CONTACT INFORMATION.—Each seg-
12 ment of the multimedia campaign under sub-
13 paragraph (A) shall publicize the toll-free tele-
14 phone number and web site of the Department of
15 Housing and Urban Development through which
16 persons seeking housing counseling can locate a
17 housing counseling agency in their State that is
18 certified by the Secretary of Housing and Urban
19 Development and can provide advice on buying
20 a home, renting, defaults, foreclosures, credit
21 issues, and reverse mortgages.

22 “(C) AUTHORIZATION OF APPROPRIA-
23 TIONS.—There are authorized to be appropriated
24 to the Secretary, not to exceed \$3,000,000 for fis-
25 cal years 2008, 2009, and 2010, for the develop,

1 *implement, and conduct of national public serv-*
2 *ice multimedia campaigns under this paragraph.*

3 “(5) *EDUCATION PROGRAMS.—The Secretary*
4 *shall provide advice and technical assistance to*
5 *States, units of general local government, and non-*
6 *profit organizations regarding the establishment and*
7 *operation of, including assistance with the develop-*
8 *ment of content and materials for, educational pro-*
9 *grams to inform and educate consumers, particularly*
10 *those most vulnerable with respect to residential mort-*
11 *gage loans (such as elderly persons, persons facing*
12 *language barriers, low-income persons, and other po-*
13 *tentially vulnerable consumers), regarding home*
14 *mortgages, mortgage refinancing, home equity loans,*
15 *and home repair loans.”.*

16 **(b) CONFORMING AMENDMENTS TO GRANT PROGRAM**
17 **FOR HOMEOWNERSHIP COUNSELING ORGANIZATIONS.—**
18 *Section 106(c)(5)(A)(ii) of the Housing and Urban Devel-*
19 *opment Act of 1968 (12 U.S.C. 1701x(c)(5)(A)(ii)) is*
20 *amended—*

21 (1) *in subclause (III), by striking “and” at the*
22 *end;*

23 (2) *in subclause (IV) by striking the period at*
24 *the end and inserting “; and”; and*

1 (3) by inserting after subclause (IV) the fol-
2 lowing new subclause:

3 “(V) notify the housing or mort-
4 gage applicant of the availability of
5 mortgage software systems provided
6 pursuant to subsection (g)(3).”.

7 **SEC. 204. GRANTS FOR HOUSING COUNSELING ASSISTANCE.**

8 Section 106(a) of the Housing and Urban Development
9 Act of 1968 (12 U.S.C. 1701x(a)(3)) is amended by adding
10 at the end the following new paragraph:

11 “(4) HOMEOWNERSHIP AND RENTAL COUNSELING AS-
12 SISTANCE.—

13 “(A) IN GENERAL.—The Secretary shall make fi-
14 nancial assistance available under this paragraph to
15 States, units of general local governments, and non-
16 profit organizations providing homeownership or
17 rental counseling (as such terms are defined in sub-
18 section (g)(1)).

19 “(B) QUALIFIED ENTITIES.—The Secretary shall
20 establish standards and guidelines for eligibility of or-
21 ganizations (including governmental and nonprofit
22 organizations) to receive assistance under this para-
23 graph.

24 “(C) DISTRIBUTION.—Assistance made available
25 under this paragraph shall be distributed in a man-

1 *ner that encourages efficient and successful counseling*
 2 *programs.*

3 “(D) *AUTHORIZATION OF APPROPRIATIONS.—*
 4 *There are authorized to be appropriated \$45,000,000*
 5 *for each of fiscal years 2008 through 2011 for—*

6 “(i) *the operations of the Office of Housing*
 7 *Counseling of the Department of Housing and*
 8 *Urban Development;*

9 “(ii) *the responsibilities of the Secretary*
 10 *under paragraphs (2) through (5) of subsection*
 11 *(g); and*

12 “(iii) *assistance pursuant to this paragraph*
 13 *for entities providing homeownership and rental*
 14 *counseling.”.*

15 **SEC. 205. REQUIREMENTS TO USE HUD-CERTIFIED COUN-**
 16 **SELORS UNDER HUD PROGRAMS.**

17 *Section 106(e) of the Housing and Urban Development*
 18 *Act of 1968 (12 U.S.C. 1701x(e)) is amended—*

19 *(1) by striking paragraph (1) and inserting the*
 20 *following new paragraph:*

21 “(1) *REQUIREMENT FOR ASSISTANCE.—An orga-*
 22 *nization may not receive assistance for counseling ac-*
 23 *tivities under subsection (a)(1)(iii), (a)(2), (a)(4), (c),*
 24 *or (d) of this section, or under section 101(e), unless*
 25 *the organization, or the individuals through which the*

1 *organization provides such counseling, has been cer-*
2 *tified by the Secretary under this subsection as com-*
3 *petent to provide such counseling.”;*

4 *(2) in paragraph (2)—*

5 *(A) by inserting “and for certifying organi-*
6 *zations” before the period at the end of the first*
7 *sentence; and*

8 *(B) in the second sentence by striking “for*
9 *certification” and inserting “, for certification of*
10 *an organization, that each individual through*
11 *which the organization provides counseling shall*
12 *demonstrate, and, for certification of an indi-*
13 *vidual,”;*

14 *(3) in paragraph (3), by inserting “organiza-*
15 *tions and” before “individuals”;*

16 *(4) by redesignating paragraph (3) as para-*
17 *graph (5); and*

18 *(5) by inserting after paragraph (2) the fol-*
19 *lowing new paragraphs:*

20 *“(3) REQUIREMENT UNDER HUD PROGRAMS.—*
21 *Any homeownership counseling or rental housing*
22 *counseling (as such terms are defined in subsection*
23 *(g)(1)) required under, or provided in connection*
24 *with, any program administered by the Department*
25 *of Housing and Urban Development shall be provided*

1 *only by organizations or counselors certified by the*
2 *Secretary under this subsection as competent to pro-*
3 *vide such counseling.*

4 “(4) *OUTREACH.*—*The Secretary shall take such*
5 *actions as the Secretary considers appropriate to en-*
6 *sure that individuals and organizations providing*
7 *homeownership or rental housing counseling are*
8 *aware of the certification requirements and standards*
9 *of this subsection and of the training and certification*
10 *programs under subsection (f).”*

11 **SEC. 206. STUDY OF DEFAULTS AND FORECLOSURES.**

12 *The Secretary of Housing and Urban Development*
13 *shall conduct an extensive study of the root causes of default*
14 *and foreclosure of home loans, using as much empirical*
15 *data as are available. The study shall also examine the role*
16 *of escrow accounts in helping prime and nonprime bor-*
17 *rowers to avoid defaults and foreclosures. Not later than 12*
18 *months after the date of the enactment of this Act, the Sec-*
19 *retary shall submit to the Congress a preliminary report*
20 *regarding the study. Not later than 24 months after such*
21 *date of enactment, the Secretary shall submit a final report*
22 *regarding the results of the study, which shall include any*
23 *recommended legislation relating to the study, and rec-*
24 *ommendations for best practices and for a process to iden-*
25 *tify populations that need counseling the most.*

1 **SEC. 207. DEFINITIONS FOR COUNSELING-RELATED PRO-**
2 **GRAMS.**

3 *Section 106 of the Housing and Urban Development*
4 *Act of 1968 (12 U.S.C. 1701x), as amended by the preceding*
5 *provisions of this title, is further amended by adding at*
6 *the end the following new subsection:*

7 “(h) *DEFINITIONS.—For purposes of this section:*

8 “(1) *NONPROFIT ORGANIZATION.—The term*
9 *‘nonprofit organization’ has the meaning given such*
10 *term in section 104(5) of the Cranston-Gonzalez Na-*
11 *tional Affordable Housing Act (42 U.S.C. 12704(5)),*
12 *except that subparagraph (D) of such section shall not*
13 *apply for purposes of this section.*

14 “(2) *STATE.—The term ‘State’ means each of the*
15 *several States, the Commonwealth of Puerto Rico, the*
16 *District of Columbia, the Commonwealth of the North-*
17 *ern Mariana Islands, Guam, the Virgin Islands,*
18 *American Samoa, the Trust Territories of the Pacific,*
19 *or any other possession of the United States.*

20 “(3) *UNIT OF GENERAL LOCAL GOVERNMENT.—*
21 *The term ‘unit of general local government’ means*
22 *any city, county, parish, town, township, borough,*
23 *village, or other general purpose political subdivision*
24 *of a State.’”.*

1 **SEC. 208. UPDATING AND SIMPLIFICATION OF MORTGAGE**
2 **INFORMATION BOOKLET.**

3 *Section 5 of the Real Estate Settlement Procedures Act*
4 *of 1974 (12 U.S.C. 2604) is amended—*

5 *(1) in the section heading, by striking “SPECIAL”*
6 *and inserting “HOME BUYING”;*

7 *(2) by striking subsections (a) and (b) and in-*
8 *serting the following new subsections:*

9 *“(a) PREPARATION AND DISTRIBUTION.—The Sec-*
10 *retary shall prepare, at least once every 5 years, a booklet*
11 *to help consumers applying for federally related mortgage*
12 *loans to understand the nature and costs of real estate settle-*
13 *ment services. The Secretary shall prepare the booklet in*
14 *various languages and cultural styles, as the Secretary de-*
15 *termines to be appropriate, so that the booklet is under-*
16 *standable and accessible to homebuyers of different ethnic*
17 *and cultural backgrounds. The Secretary shall distribute*
18 *such booklets to all lenders that make federally related mort-*
19 *gage loans. The Secretary shall also distribute to such lend-*
20 *ers lists, organized by location, of homeownership counselors*
21 *certified under section 106(e) of the Housing and Urban*
22 *Development Act of 1968 (12 U.S.C. 1701x(e)) for use in*
23 *complying with the requirement under subsection (c) of this*
24 *section.*

25 *“(b) CONTENTS.—Each booklet shall be in such form*
26 *and detail as the Secretary shall prescribe and, in addition*

1 *to such other information as the Secretary may provide,*
2 *shall include in plain and understandable language the fol-*
3 *lowing information:*

4 “(1) *A description and explanation of the nature*
5 *and purpose of the costs incident to a real estate set-*
6 *tlement or a federally related mortgage loan. The de-*
7 *scription and explanation shall provide general infor-*
8 *mation about the mortgage process as well as specific*
9 *information concerning, at a minimum—*

10 “(A) *balloon payments;*

11 “(B) *prepayment penalties; and*

12 “(C) *the trade-off between closing costs and*
13 *the interest rate over the life of the loan.*

14 “(2) *An explanation and sample of the uniform*
15 *settlement statement required by section 4.*

16 “(3) *A list and explanation of lending practices,*
17 *including those prohibited by the Truth in Lending*
18 *Act or other applicable Federal law, and of other un-*
19 *fair practices and unreasonable or unnecessary*
20 *charges to be avoided by the prospective buyer with*
21 *respect to a real estate settlement.*

22 “(4) *A list and explanation of questions a con-*
23 *sumer obtaining a federally related mortgage loan*
24 *should ask regarding the loan, including whether the*
25 *consumer will have the ability to repay the loan,*

1 *whether the consumer sufficiently shopped for the*
2 *loan, whether the loan terms include prepayment pen-*
3 *alties or balloon payments, and whether the loan will*
4 *benefit the borrower.*

5 “(5) *An explanation of the right of rescission as*
6 *to certain transactions provided by sections 125 and*
7 *129 of the Truth in Lending Act.*

8 “(6) *A brief explanation of the nature of a vari-*
9 *able rate mortgage and a reference to the booklet enti-*
10 *tled ‘Consumer Handbook on Adjustable Rate Mort-*
11 *gages’, published by the Board of Governors of the*
12 *Federal Reserve System pursuant to section*
13 *226.19(b)(1) of title 12, Code of Federal Regulations,*
14 *or to any suitable substitute of such booklet that such*
15 *Board of Governors may subsequently adopt pursuant*
16 *to such section.*

17 “(7) *A brief explanation of the nature of a home*
18 *equity line of credit and a reference to the pamphlet*
19 *required to be provided under section 127A of the*
20 *Truth in Lending Act.*

21 “(8) *Information about homeownership coun-*
22 *seling services made available pursuant to section*
23 *106(a)(4) of the Housing and Urban Development Act*
24 *of 1968 (12 U.S.C. 1701x(a)(4)), a recommendation*
25 *that the consumer use such services, and notification*

1 *that a list of certified providers of homeownership*
2 *counseling in the area, and their contact information,*
3 *is available.*

4 “(9) *An explanation of the nature and purpose*
5 *of escrow accounts when used in connection with*
6 *loans secured by residential real estate and the re-*
7 *quirements under section 10 of this Act regarding*
8 *such accounts.*

9 “(10) *An explanation of the choices available to*
10 *buyers of residential real estate in selecting persons to*
11 *provide necessary services incidental to a real estate*
12 *settlement.*

13 “(11) *An explanation of a consumer’s respon-*
14 *sibilities, liabilities, and obligations in a mortgage*
15 *transaction.*

16 “(12) *An explanation of the nature and purpose*
17 *of real estate appraisals, including the difference be-*
18 *tween an appraisal and a home inspection.*

19 “(13) *Notice that the Office of Housing of the*
20 *Department of Housing and Urban Development has*
21 *made publicly available a brochure regarding loan*
22 *fraud and a World Wide Web address and toll-free*
23 *telephone number for obtaining the brochure.*

24 *The booklet prepared pursuant to this section shall take into*
25 *consideration differences in real estate settlement procedures*

1 *that may exist among the several States and territories of*
 2 *the United States and among separate political subdivi-*
 3 *sions within the same State and territory.”;*

4 (3) *in subsection (c), by inserting at the end the*
 5 *following new sentence: “Each lender shall also in-*
 6 *clude with the booklet a reasonably complete or up-*
 7 *dated list of homeownership counselors who are cer-*
 8 *tified pursuant to section 106(e) of the Housing and*
 9 *Urban Development Act of 1968 (12 U.S.C. 1701x(e))*
 10 *and located in the area of the lender.”; and*

11 (4) *in subsection (d), by inserting after the pe-*
 12 *riod at the end of the first sentence the following:*
 13 *“The lender shall provide the HUD-issued booklet in*
 14 *the version that is most appropriate for the person re-*
 15 *ceiving it.”.*

16 **TITLE III—COMBATING** 17 **MORTGAGE FRAUD**

18 **SEC. 301. AUTHORIZATION OF APPROPRIATIONS TO COM-** 19 **BAT MORTGAGE FRAUD.**

20 *For fiscal years 2008, 2009, 2010, 2011, and 2012,*
 21 *there are authorized to be appropriated to the Attorney Gen-*
 22 *eral a total of—*

23 (1) *\$31,250,000 to support the employment of 30*
 24 *additional agents of the Federal Bureau of Investiga-*
 25 *tion and 2 additional dedicated prosecutors at the De-*

1 *partment of Justice to coordinate prosecution of mort-*
2 *gage fraud efforts with the offices of the United States*
3 *Attorneys; and*

4 *(2) \$750,000 to support the operations of inter-*
5 *agency task forces of the Federal Bureau of Investiga-*
6 *tion in the areas with the 15 highest concentrations*
7 *of mortgage fraud.*

Union Calendar No. 386

110TH CONGRESS
2^D SESSION

H. R. 5830

[Report No. 110-619]

A BILL

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

MAY 5, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed