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[Report No. 110–616]

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2008

Ms. WATERS (for herself, Mr. FRANK of Massachusetts, Mrs. MALONEY of New York, Mr. WATT, Mr. MAHONEY of Florida, Ms. VELÁZQUEZ, Mr. AL GREEN of Texas, Mr. GUTIERREZ, Mr. LYNCH, Mr. CARSON, Mr. ELLISON, and Mr. CLAY) introduced the following bill; which was referred to the Committee on Financial Services

MAY 1, 2008

Additional sponsors: Ms. CLARKE, Ms. MOORE of Wisconsin, Mr. WILSON of Ohio, Ms. TSONGAS, Mr. SHERMAN, Mr. MORAN of Virginia, Mr. HIGGINS, Mr. MCGOVERN, Mr. SIRES, Ms. BERKLEY, Mr. CAPUANO, Mr. PASTOR, Mr. MEEK of Florida, Mr. COHEN, Ms. LEE, and Ms. MCCOLLUM of Minnesota

MAY 1, 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 16, 2008]

A BILL

To authorize the Secretary of Housing and Urban Develop-

ment to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

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

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Neighborhood Stabilization Act of 2008".

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

Sec. 1. Short title and table of contents.
Sec. 2. Congressional purposes.
Sec. 3. Loans and grants to States.
Sec. 4. Qualified plans.
Sec. 5. Allocation of amounts.
Sec. 6. Loans.
Sec. 7. Grants.
Sec. 8. Eligible housing stimulus activities.
Sec. 9. Shared appreciation agreement.
Sec. 10. Spending requirements.
Sec. 11. Servicer contact.
Sec. 12. Accountability.
Sec. 13. Definitions.
Sec. 14. Funding.
Sec. 15. Regulations and implementation.

SEC. 2. CONGRESSIONAL PURPOSES.

The purposes of this Act are—

(1) to establish a loan and grant program administered by the Department of Housing and Urban Development to help States, metropolitan cities, and urban counties purchase and rehabilitate owner-vacated, foreclosed homes with the goal of stabilizing and occupying them as soon as possible, either through resale or rental to qualified families;

(2) to distribute these loans and grants to areas with the highest levels of foreclosure and delinquent subprime mortgages;

(3) to provide incentives for States, metropolitan cities, and urban counties to use the funds to stabilize as many properties as possible; and

(4) to provide housing for low- and moderate-income families, especially those that have lost homes to foreclosure.

SEC. 3. LOANS AND GRANTS TO STATES.

The Secretary of Housing and Urban Development shall, subject to the availability of amounts under section 14, make grants under section 5(a) to qualified States and make loans under section 6 in accordance with the approved plans of qualified States, for use to carry out eligible housing stimulus activities under section 8.

SEC. 4. QUALIFIED PLANS.

(a) IN GENERAL.—The Secretary may make a grant under this Act only to a State, and may allocate a loan authority amount under this Act only for a State, that has submitted to the Secretary a plan that meets the requirements under this section and has been approved under this section. A State shall reallocate amounts under subsection (f) or (g) of section 5 only to a qualified metropolitan city or qualified urban county, respectively, that has submitted

to the Secretary a plan that meets the requirements under this section and has been approved under this section.

(b) CONTENTS.—A plan under this section for an allocation recipient shall—

(1) designate a housing finance agency of the allocation recipient, or other agency, department, or entity of the allocation recipient, or any other designee, as the allocation recipient administrator to act on behalf of the allocation recipient for purposes of this Act;

(2) describe the housing stimulus activities under section 8 to be carried out with assistance under this Act for the allocation recipient by the entity identified pursuant to paragraph (1) of this subsection;

(3) prioritize the allocation of funds to low- and moderate-income neighborhoods with high concentrations of foreclosures and describe how such activities will help restore or improve the viability of such neighborhoods by providing for purchase or occupancy of qualified foreclosed properties as soon as practicable and in a manner that will facilitate repayment of the loans provided under this Act for carrying out such activities;

(4) set forth the procedures that the allocation recipient will use to allocate grant and loan amounts

and monitor for compliance with the requirements of section 8;

(5) provide that grant and loan amounts provided under this Act for the allocation recipient will be used only for eligible housing stimulus activities under section 8 that are eligible under such section for assistance with grant or loan amounts, as applicable;

(6) contain such assurances as the Secretary shall require that the housing stimulus activities to be carried out with assistance under this Act shall not result in a significant net loss in rental housing in an area in which such activities are undertaken;

(7) give priority emphasis and consideration to metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, census tracts and other areas having the greatest need, including those—

(A) with the greatest percentage of home foreclosures;

(B) with the highest percentage of homes financed by subprime mortgage loans over 90 days delinquent; or

(C) identified by the State, qualified metropolitan city, or unit of general local government

as likely to face a significant rise in the rate of home foreclosures.

(8) provide preference for activities that serve the lowest income families, who otherwise meet the income requirements under section 8, for the longest period and homeowners, who otherwise meet such income requirements, whose mortgages have been foreclosed;

(9) provide preference for use of grant and loan amounts in connection with acquisition of qualified foreclosed properties that are acquired no earlier than 60 days after the owner of the property described in section 13(7)(B) acquired such ownership;

(10) describe any other preferences the allocation recipient may establish, such as housing for first responders, for veterans, for nurses serving underserved areas or homeless persons, or for homeless persons in accordance with the 10-year plan of the State to end homelessness, or providing housing for public school teachers or workforce who are employed by the city or locality in which the housing is located;

(11) provide for obligation and outlay of grant amounts, and for loan commitments and disbursement, in accordance with the requirements under section 10; and

(12) in the case of any grant or loan amounts that will be invested with the possibility of a return on investment, provide for use of any return on such investment only for one or more eligible housing stimulus activities under section 8.

(c) SUBMISSION.—

(1) IN GENERAL.—The Secretary shall provide for allocation recipients to submit plans under this section to the Secretary and shall establish requirements for the contents and form of such plans. Except in the case of plan resubmitted pursuant to subsection (d)(3), the Secretary may not accept or consider a plan unless the plan is submitted to the Secretary before the expiration of the 30-day period beginning upon the date of the enactment of this Act.

(2) PUBLIC APPROVAL.—An allocation recipient may not submit a plan to the Secretary unless the plan is approved by the chief executive officer of the allocation recipient after a public hearing on the plan held pursuant to reasonable public notice.

(d) REVIEW AND APPROVAL.—

(1) TIMING.—The Secretary shall review, and approve or disapprove, each plan submitted or resubmitted pursuant to paragraph (3) in compliance with the requirements established under this section before

the expiration of the 30-day period beginning upon the submission of the plan. If the Secretary does not approve or disapprove a plan that is submitted or resubmitted in accordance with the requirements under this section before the expiration of such 30-day period and notify the allocation recipient of such approval or disapproval, the plan shall be considered approved for purposes of this section.

(2) STANDARD FOR DISAPPROVAL.—The Secretary may disapprove a plan only if the plan fails to comply with the requirements of this Act.

(3) RESUBMISSION.—If the Secretary disapproves the plan of an allocation recipient, the Secretary shall submit to the allocation recipient the reasons for the disapproval, and the allocation recipient may, during the 15-day period that begins upon notification of such disapproval and the reasons for such disapproval, submit to the Secretary a revised plan for review and approval in accordance with this subsection.

SEC. 5. ALLOCATION OF AMOUNTS.

(a) GRANTS.—From the total amount made available under section 14(a) for grants under this Act, the Secretary shall make a grant to each qualified State in the grant

amount determined under subsection (c) of this section for the qualified State.

(b) LOANS.—From the aggregate amount of authority for the outstanding principal balance of loans made under this Act pursuant to section 14(b)(1), the Secretary shall allocate such authority for loans under this Act for each qualified State in the loan authority amount determined under subsection (c) of this section for the qualified State.

(c) GRANT AMOUNTS AND LOAN AUTHORITY AMOUNTS.—

(1) IN GENERAL.—The grant amount or loan authority amount for a qualified State shall be the foreclosure grant share or foreclosure loan share, respectively, for the State determined under subsection (d), as such share is adjusted in accordance with an index established or selected by the Secretary to account for differences between qualified States in the median price of single family housing in such States.

(2) LIMITATION ON ADJUSTMENT.—If such adjustment would result in a grant amount or loan authority amount for any State that exceeds 125 percent of the foreclosure grant share or foreclosure loan share, respectively, for the State, the grant amount or loan authority amount for the State shall be 125 percent of foreclosure grant share or foreclosure loan

share, respectively, for the State and the Secretary shall increase the grant amounts or loan authority amounts for all other States on a pro rata basis, except as provided in paragraph (3), by the amount necessary to account for the aggregate of any such decreases in grant amounts or loan authority amounts for States to comply with the 125 percent limitation.

(3) LIMITATION ON REALLOCATION.—No increase in the grant amount or loan authority amount for any State from amounts reallocated pursuant to paragraph (2) shall result in the grant amount or loan authority amount for any State exceeding 125 percent of the foreclosure grant share or foreclosure loan share for the State, respectively.

(4) PRIORITY PREFERENCE FOR UNUSED AMOUNTS.—States which have their grant or loan amounts reduced under paragraph (2) shall be granted a priority preference for any loans or grants which may be reallocated under subsection (i) (relating to reallocation of funds).

(d) FORECLOSURE SHARES.—For purposes of this section:

(1) GRANT SHARE.—The foreclosure grant share for a qualified State shall be the amount that bears the same ratio to the total amount made available

under section 14(a) as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in all qualified States during such calendar quarters.

(2) LOAN SHARE.—The foreclosure loan share for a qualified State shall be the amount that bears the same ratio to the aggregate amount of the principal balance of loans that may be outstanding at any time under this Act pursuant to section 14(b)(1) as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in all qualified States during such calendar quarters.

(e) DISTRIBUTION OF FULL AMOUNT.—The Secretary shall establish the index referred to in subsection (c) and the grant and loan authority amounts for the qualified States in a manner that provides that—

(1) the aggregate of the grant amounts for all qualified States is equal to the total amount made available under section 14(a); and

(2) the aggregate of the loan authority amounts for all qualified States is equal to the aggregate amount of authority for the outstanding principal balance of all loans made under this Act pursuant to section 14(b)(1).

(f) REQUIREMENT TO ALLOCATE TO QUALIFIED METROPOLITAN CITIES.—Of any grant amounts and loan authority amounts allocated pursuant to this section for a State, such State shall allocate for each qualified metropolitan city located in such State a portion of such grant amounts and such loan authority amounts that bears the same ratio to such grant amounts and loan authority amounts, respectively, allocated for the State as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such qualified metropolitan city during the most recently completed four calendar quarters for which such information is available, as

determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in the State during such calendar quarters. A State may adjust such allocation to account for differences between median single family housing prices in the State and in qualified metropolitan cities in the State.

(g) REQUIREMENT TO ALLOCATE TO QUALIFIED URBAN COUNTIES.—Of any grant amounts and loan authority amounts allocated pursuant to this section for a State, such State shall allocate for each qualified urban county located in such State a portion of such grant amounts and such loan authority amounts that bears the same ratio to such grant amounts and loan authority amounts, respectively, allocated for the State as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such qualified urban county during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in the State during such calendar quarters. A State may adjust such allocation to account for differences between median single family housing prices in the State and in qualified urban counties in the State.

(h) ALLOCATION EXCEPTION.—If the aggregate grant and loan authority amount to be allocated pursuant to subsection (f) or (g) to a qualified metropolitan city or qualified urban county is less than $10,000,000, a State may, but is not required to, allocate such grant and loan authority amount to such qualified metropolitan city or qualified urban county, and the allocation for such State shall be increased by the grant and loan authority amount not allocated to such qualified metropolitan city or qualified urban county.

(i) REALLOCATION OF UNUSED AMOUNTS.—The Secretary shall recapture any grant amounts and loan authority amounts allocated to a State that are not used in a timely fashion in accordance with section 10, as the Secretary shall prescribe, and shall reallocate such amounts among all other qualified States in accordance with the provisions of this Act for allocation of grant amounts and loan authority amounts.

SEC. 6. LOANS.

(a) REQUIREMENT OF LOAN AUTHORITY AMOUNT.—The Secretary may make a loan under this Act for use in the area of an allocation recipient only to the extent and in such amounts that loan authority amounts for such allocation recipient are available.

(b) REVOLVING AVAILABILITY OF LOAN AUTHORITY AMOUNT.—The loan authority amount allocated for each allocation recipient shall—

(1) upon the Secretary entering into a binding commitment to make a loan under this Act for use in the area of such allocation recipient, be decreased by the amount of the principal obligation of such loan; and

(2) upon the repayment to the Secretary by any borrower of any principal amounts borrowed under a loan this Act for use in the area of such allocation recipient, be increased by the amount of principal repaid.

(c) ASSISTED ENTITIES.—The loan authority amount of an allocation recipient may be used for activities described in section 8(a) undertaken by—

(1) the allocation recipient;

(2) a unit of local government or a local governmental entity; or

(3) any other entity, as provided in the approved plan of the allocation recipient under section 4.

(d) LOAN TERMS.—Each loan provided under this Act from the loan authority amount of an allocation recipient shall—

(1) bear no interest;

(2) have a term to maturity of—

(A) 3 years, in the case of any loan made to purchase or finance the purchase of qualified foreclosed housing for use under section 8(a)(1) for homeownership; and

(B) 5 years, in the case of any loan made to purchase or finance the purchase of qualified foreclosed housing for use under section 8(a)(2) for rental;

(3) not provide for amortization of the principal obligation of the loan during such term;

(4) be non-recourse;

(5) require payment of the original principal obligation under the loan only upon the expiration of the term of the loan; and

(6) have such other terms and conditions as the Secretary may provide.

(e) PROCEDURE.—A qualified State or, upon its election, a qualified metropolitan city or qualified urban county shall—

(1) enter into a loan agreement on behalf of the Secretary on terms established under this Act and any other terms such State, qualified metropolitan city, or qualified urban county determines appropriate;

(2) disburse the loan amount in accordance with such terms, subject only to the absence of sufficient loan authority amount for such State, such qualified metropolitan city, or such qualified urban county;

(3) monitor such loans; and

(4) collect and transmit to the Secretary any loan repayments.

(f) ELIGIBILITY FOR REPEAT LENDING.—A loan under this Act may be made to an entity that has previously borrowed amounts under a loan under this Act only if such entity has repaid 90 percent or more of the amounts due under all previous such loans. The Secretary may waive such requirement upon a request by an allocation recipient if the borrower has demonstrated satisfactory progress in utilizing outstanding loans and sufficient capacity to utilize additional loan amounts effectively.

(g) SUNSET.—The Secretary may not enter into any commitment to make a loan under this Act, or make any such loan, after the expiration of the 48-month period beginning on the date of the enactment of this Act.

SEC. 7. GRANTS.

The grant amount of an allocation recipient may be used under section 8(b) by the allocation recipient, a unit of local government or a local governmental entity, or a nonprofit organization.

SEC. 8. ELIGIBLE HOUSING STIMULUS ACTIVITIES.

(a) LOAN AMOUNTS.—Amounts provided under a loan under this Act for an allocation recipient shall be used, in accordance with the approved plan of such allocation recipient, only for the following activities:

(1) HOMEOWNERSHIP HOUSING PROVISION.—To purchase or finance the purchase of qualified foreclosed housing for resale as housing for homeownership to families having incomes that do not exceed 140 percent of the median income for the area in which the housing is located.

(2) RENTAL HOUSING PROVISION.—To purchase or finance the purchase of qualified foreclosed housing for use as rental, lease-purchase, or rent-to-own housing, subject to the following requirements:

(A) QUALIFIED TENANTS.—All dwelling units in the housing purchased or financed using any loan amounts shall be available for rental only by families whose incomes do not exceed 100 percent of the median income for the area in which the housing is located.

(B) RENTS.—Rents for each dwelling unit in the housing purchased or financed using any loan amounts shall be established at amounts that do not exceed market rents for comparable dwelling units located in the area in which the

housing is located and in accordance with such requirements as the Secretary shall establish to ensure that rents are established in a fair, objective, and arms-length manner.

(3) HOUSING REHABILITATION.—To rehabilitate qualified foreclosed housing acquired with assistance provided pursuant to this subsection, to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, or to make improvements to the housing to increase the energy efficiency or conservation of the housing or provide a renewable energy source or sources for the housing, for the purpose of reselling the housing, to the extent possible, during the 3-month period that begins upon completion of rehabilitation and at a price that is as close as possible to the acquisition price of the housing.

(b) GRANT AMOUNTS.—Grant amounts provided under this Act to an allocation recipient shall be used, in accordance with the approved plan of such allocation recipient, only for the following activities:

(1) OPERATING AND HOLDING COSTS.—For costs of holding and operating qualified foreclosed housing acquired pursuant to subsection (a), including costs of

management, taxes, handling, insurance, and other related costs.

(2) COSTS RELATING TO PROPERTY ACQUISITION.—For incidental costs involved in acquiring qualified foreclosed housing pursuant to subsection (a), including reasonable closing costs, except that grant amounts may not be used to pay any portion of the purchase price for the housing under section 13(7)(C).

(3) ADMINISTRATIVE COSTS.—For costs of the allocation recipient in administering loan authority amounts and grant amounts under this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this paragraph shall not exceed the amount equal to 8 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the allocation recipient pursuant to subsection (b), (f), or (g) of section 5, as applicable.

(4) PLANNING COSTS.—For planning costs of the State in connection with this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this

paragraph shall not exceed the amount equal to 2 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the State pursuant to subsection (b), (f), or (g) of section 5, as applicable.

(5) HOUSING REHABILITATION.—For activities set forth in subsection (a)(3), except that an allocation recipient shall not use more than 20 percent of a grant amount allocation for such activities.

(6) DEMOLITION.—For costs of demolishing qualified foreclosed housing that is deteriorated or unsafe, but amounts may be used under this paragraph only if the Secretary determines that the neighborhood or other area in which the housing is located has a high incidence of vacant and abandoned housing (or other vacant and abandoned structures) and is experiencing a significant decline in population.

Notwithstanding any other provision of this subsection, grant amounts provided under this Act may not be used to provide assistance of any kind (including grants, loans, and closing cost financing) to provide amounts for downpayments for any homebuyers of single family housing.

(c) PROHIBITED USES.—The Secretary shall, by regulation, set forth prohibited uses of grant or loan amounts under this Act, which shall include use for—

(1) political activities;

(2) advocacy;

(3) lobbying, whether directly or through other parties;

(4) counseling services;

(5) travel expenses; and

(6) preparing or providing advice on tax returns.

(d) INCOME TARGETING REQUIREMENT.—

(1) VERY LOW-INCOME FAMILIES.—Not less than 50 percent of the total grant amounts an allocation recipient makes available under this Act shall be used for activities under subsection (b) in connection with providing housing for families whose incomes do not exceed 50 percent of the median income for the area in which the housing is located.

(2) EXTREMELY LOW-INCOME FAMILIES.—Not less than 50 percent of the total grant amounts an allocation recipient makes available under paragraph (1) shall be used for activities under subsection (b) in connection with providing housing for families whose

incomes do not exceed 30 percent of the median income for the area in which the housing is located.

(3) WAIVER.—

(A) IN GENERAL.—The Secretary may establish a percentage for purposes of paragraph (2) that is less than 50 percent if an allocation recipient certifies that, in addition to any other requirements the Secretary may establish—

(i) such allocation recipient has attempted to use all other federally related resources available to it in combination with the resources available under this Act to meet the requirements of paragraph (2); and

(ii) the failure to comply with paragraph (2) will not result in an overall loss of housing affordable to families whose incomes do not exceed 30 percent of area median income in the area of such allocation recipient.

(B) CONSIDERATION OF HOUSING NEEDS.—In establishing an alternative percentage for purposes of paragraph (2) for an allocation recipient that meets the certification requirements of subparagraph (A), the Secretary shall take

into consideration the housing needs in the area of such allocation recipient of families whose incomes do not exceed 30 percent of area median income.

(e) USE FOR RURAL AREAS.—An allocation recipient receiving any grant or loan amounts under this Act that includes any rural areas shall use a portion of its grant and loan authority amount for eligible activities located in rural areas that is proportionate to the identified need for such activities in such rural areas.

(f) SECURITY.—A qualified State, or at its election, a qualified metropolitan city or qualified urban county, shall record a lien in the name of the Secretary on any qualified foreclosed housing purchased or financed with a loan under this section in the amount of the principal obligation under the loan and interest due under the loan.

(g) QUALIFIED HOMEOWNERS.—This Act may not be construed to prevent the resale of qualified foreclosed housing to a prior owner or occupant of such housing who meets the income requirements of this Act.

(h) VOUCHER NONDISCRIMINATION.—

(1) PROSPECTIVE TENANTS.—A recipient of amounts from a loan or grant under this Act may not refuse to lease a dwelling unit in housing assisted with any such loan or grant amounts to a holder of

a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) because of the status of the prospective tenant as such a holder.

(2) CURRENT TENANTS.—In the case of any qualified foreclosed housing for which funds made available under the Act are used and in which a recipient of assistance under section 8(o) of the U.S. Housing Act of 1937 resides at the time of acquisition or financing, the owner and any successor in interest shall be subject to the lease and to the housing assistance payments contract for the occupied unit. Vacating the property prior to sale shall not constitute good cause for termination of the tenancy unless the property is unmarketable while occupied or unless the owner or subsequent purchaser desires the unit for personal or family use. This paragraph shall not preempt any State or local law that provides more protection for tenants.

(i) EFFECT OF FORECLOSURE ON PREEXISTING LEASE.—

(1) IN GENERAL.—In the case of any foreclosure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant

to the foreclosure shall assume such interest subject to—

(A) the provision, by the successor in interest, of a notice to vacate to any bona fide tenant at least 90 days before the effective date of the notice to vacate; and

(B) the rights of any bona fide tenant, as of the date of such notice of foreclosure—

(i) under any bona fide lease entered into before the notice of foreclosure to occupy the premises until the end of the remaining term of the lease or the end of the 6-month period beginning on the date of the notice of foreclosure, whichever occurs first, subject to the receipt by the tenant of the 90-day notice under subparagraph (A); or

(ii) without a lease or with a lease terminable at will under State law, subject to the receipt by the tenant of the 90-day notice under subparagraph (A), except that nothing under this subparagraph shall affect the requirements for termination of any federally subsidized tenancy.

(2) BONA FIDE LEASE OR TENANCY.—For purposes of this subsection, a lease or tenancy shall be considered bona fide only if—

(A) the mortgagor under the contract is not the tenant;

(B) the lease or tenancy was the result of an arms-length transaction; or

(C) the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property.

(j) PROHIBITION OF DEMOLITION OF PUBLIC HOUSING.—Notwithstanding any other provision of this Act, amounts from a grant or loan under this Act may not be used to demolish any public housing (as such term is defined in section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a)).

SEC. 9. SHARED APPRECIATION AGREEMENT.

Notwithstanding any other provision of this Act, no amounts from a loan or grant under this Act may be used under section 8 for any qualified foreclosed housing unless such binding agreements are entered into, in accordance with such requirements as the Secretary shall establish, that ensure that the Federal Government shall, upon any sale or disposition of the qualified foreclosed housing by the owner who acquires the housing pursuant to assistance

under this Act, receive an amount equal to 20 percent of the difference between the net proceeds from such sale or disposition and the cost of such acquisition of the housing pursuant to assistance under this Act, after deductions for expenditures paid or incurred after the date of such acquisition that are properly chargeable to capital account (within the meaning of section 1016 of the Internal Revenue Code of 1986) with respect to such housing. In the case of a for-profit owner, this section shall be applied by substituting "50 percent" for "20 percent".

SEC. 10. SPENDING REQUIREMENTS.

(a) IN GENERAL.—Each allocation recipient that receives a grant under this Act or is allocated loan authority amounts under this Act pursuant to section 5(b) shall—

(1) commence obligation of such grant amounts and commitment of such loan authority amounts not later than the expiration of the 120-day period that begins upon approval of the approved plan of allocation recipient;

(2) obligate all such grant amounts and enter into commitments for all such loan authority amounts not later than the expiration of the 180-day period beginning upon such approval; and

(3) except as provided in subsection (b) of this section, outlay all such grant amounts and disburse

all such loan authority amounts not later than the 24-month period that begins upon such approval.

This subsection shall not apply to loan authority amounts of an allocation recipient attributable, pursuant to section 6(b)(2), to repayment of principal amounts of loans under this Act.

(b) EXCEPTION TO SPENDING REQUIREMENT.—If an allocation recipient in good faith makes a request, in the plan submitted to the Secretary pursuant to section 4 or otherwise after approval of such plan, for extension of the period referred to in paragraph (1), (2), or (3) of subsection (a) of this section, the Secretary may extend the period for not more than 5 months.

SEC. 11. SERVICER CONTACT.

The servicer of a federally related mortgage loan (as such term is defined in section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602)) shall notify the unit of general local government in which the property securing the mortgage is located upon becoming responsible for a qualified foreclosed property and provide such unit of general local government with the name and 24-hour contact information of a representative authorized to negotiate purchases.

SEC. 12. ACCOUNTABILITY.

(a) REPORTING.—Each allocation recipient that receives a grant or allocation of loan authority amount under this Act shall submit a report to the Secretary, not later than the expiration of the 12-month period beginning upon the approval of the qualified plan by the Secretary, regarding use of such amounts which shall contain such information, including information about the location and type of assisted properties and the income of families purchasing or renting housing assisted under this Act, as the Secretary shall require.

(b) MISUSE OF AMOUNTS.—If the Secretary determines that any amounts from a grant or loan under this Act for an allocation recipient or other recipient of grant or loans funds has been used in a manner that is in violation of this Act, any regulations issued under this Act, or any requirements or conditions under which such amounts were provided, the Secretary shall require the allocation recipient or other recipient of grant or loans funds to reimburse the Treasury of the United States in the amount of any such misused funds.

(c) HOLD HARMLESS.—Notwithstanding subsection (b), a State shall not be required to reimburse the Treasury of the United States for any misused funds such State is required to allocate to a qualified metropolitan city or

qualified urban county under subsection (f) or (g) of section 5, respectively.

SEC. 13. DEFINITIONS.

For purposes of this Act, the following definitions shall apply:

(1) ALLOCATION RECIPIENT.—The term "allocation recipient" means—

(A) a qualified State;

(B) a qualified metropolitan city; and

(C) a qualified urban county.

(2) ALLOCATION RECIPIENT ADMINISTRATOR.—The term "allocation recipient administrator" means the entity that is designated, pursuant to section 4(b)(1), in the approved plan of the allocation recipient to act for the allocation recipient for purposes of this Act.

(3) APPROVED PLAN.—The term "approved plan" means a plan of an allocation recipient that has been approved pursuant to section 4.

(4) COVERED MULTIFAMILY HOUSING.—The term "covered multifamily housing" means a residential structure that consists of 64 or fewer dwelling units.

(5) LOAN AUTHORITY AMOUNT.—The term "loan authority amount" means, with respect to an allocation recipient, the amount of loan authority available

pursuant to section 14(b)(1) that is allocated for the allocation recipient pursuant to subsection (b), (f), or (g) of section 5, as applicable, as such amount may be increased or decreased pursuant to section 6(b).

(6) NONPROFIT ORGANIZATION.—The term "nonprofit organization" has the meaning given such term in section 104 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704).

(7) QUALIFIED FORECLOSED HOUSING.—The term "qualified foreclosed housing" means housing that—

(A)(i) is single family housing that is not occupied by an owner, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing; or

(ii) is covered multifamily housing;

(B) is owned by a lender, mortgage company, investor, financial institution, or other such entity, or any government entity, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing; and

(C) has a purchase price—

(i) in the case of single family housing, that does not exceed 110 percent of the average purchase price for single family housing

in the area in which the housing is located, as determined by the Secretary.

(ii) in the case of covered multifamily housing, that does not exceed the dollar amount limitation, for housing of the applicable size located in the area in which the housing is located, on the amount of a principal obligation of a mortgage eligible for insurance under section 207 of the National Housing Act (12 U.S.C. 1713), as in effect on the date of the enactment of this Act pursuant to such section 207(c)(3)(A) and section 206A of such Act (12 U.S.C. 1712a).

(8) QUALIFIED METROPOLITAN CITY.—The term "qualified metropolitan city" means an incorporated place, for which there is an improved plan, that—

(A) is among the 100 most populous incorporated places in the United States, as determined according to data from the most recent decennial census that is published before the date of the enactment of this Act; or

(B)(i) has a minimum population of 50,000, as determined according to data from the most recent decennial census that is published before the date of the enactment of this Act; and

(ii) has a foreclosure rate that exceeds 125 percent of the foreclosure rate for the entire State

(9) QUALIFIED STATE.—The term "qualified State" means a State for which there is an approved plan.

(10) QUALIFIED URBAN COUNTY.—The term "qualified urban county" means an urban county (as such term is defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)), for which there is an approved plan, that is among the 50 most populous urban counties in the United States, as determined—

(A) according to data from the most recent decennial census; and

(B) excluding the population of any qualified metropolitan city within such urban county, unless such metropolitan city has agreed to have its population included with the population of the county for the purposes of this Act.

(11) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

(12) SINGLE FAMILY HOUSING.—The term "single family housing" means a residential structure consisting of from one to four dwelling units.

(13) STATE.—The term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, and other territory or possession of the United States.

SEC. 14. FUNDING.

(a) GRANTS.—There is authorized to be appropriated to the Secretary of the Treasury $7,500,000,000 for grants under this Act.

(b) DIRECT LOANS.—

(1) LOAN COMMITMENT AUTHORITY LIMITATION.—Subject only to the availability of sufficient amounts for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans and the absence of qualified requests for loans, the Secretary shall enter into commitments to make loans under this Act, and shall make such loans, in an amount such that the aggregate outstanding principal balance of such loans does not at any time exceed $7,500,000,000.

(2) AUTHORIZATION OF APPROPRIATIONS FOR COSTS.—There is authorized to be appropriated such sums as may be necessary for costs (as such term is

defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of loans under this Act.

SEC. 15. REGULATIONS AND IMPLEMENTATION.

(a) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this Act.

(b) IMPLEMENTATION.—Pending the effectiveness of regulations issued pursuant to subsection (a), the Secretary shall take such action as may be necessary to implement this Act by notice, guidance, and interim rules.

Union Calendar No. 383

110TH CONGRESS
2D SESSION

H. R. 5818

[Report No. 110–616]

A BILL

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

MAY 1, 2008

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