

FHA HOUSING STABILIZATION AND HOMEOWNERSHIP  
RETENTION ACT OF 2008

MAY 5, 2008.—Committed to the Committee of the Whole House on the State of the  
Union and ordered to be printed

Mr. FRANK of Massachusetts, from the Committee on Financial  
Services, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 5830]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 5830) 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, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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## AMENDMENT

The amendment is as follows:  
Strike all after the enacting clause and insert the following:

### SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “FHA Housing Stabilization and Homeownership Retention 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.

#### 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.

## TITLE I—HOMEOWNERSHIP RETENTION

### SEC. 101. PURPOSES.

The purposes of this title are—

- (1) to create an FHA program, which is voluntary on the part of borrowers and existing mortgage loan holders, to insure refinance loans for substantial numbers of borrowers at risk of foreclosure, at levels which are reasonably likely to be sustainable through enhanced affordability of debt service;
- (2) to provide flexible underwriting for FHA-insured loans under such a program to provide refinancing opportunities under fiscally responsible terms, including higher fees commensurate with higher risk levels, a seasoning requirement for higher debt to income loans, and additional program controls to limit and control risk;
- (3) to bar speculators and second home owners from participation in such program;
- (4) to require existing mortgage loan holders to take substantial loan writedowns in exchange for having the Federal Government and the borrower assume the ongoing risk of the refinanced loan;
- (5) to set a loan-to-value limit on such loans that provides the FHA with an equity buffer against potential loan losses, provides protections against the risk of future home price declines, and creates incentives for borrowers to maintain payments on the loan;
- (6) to protect the FHA against losses which may exceed normal FHA loss levels by establishing higher fee levels, including an exit fee and profit sharing during the first five years of the loan, with such higher fee levels effectively being funded through the required lender writedown;
- (7) to provide a fair level of incentives for junior lien holders to provide the necessary releases of their lien interests, in order to meet program requirements that all outstanding liens must be extinguished, and thereby permit the refinancing to be completed;
- (8) to enhance the administrative capacity of the FHA to carry out its expanded role under the program through establishment of an Oversight Board

which adds expertise from the Federal Reserve and the Department of the Treasury, through additional funding to contract out for the provision of any needed expertise in designing program requirements and oversight, and through additional funding to increase FHA personnel resources as needed to handle the increased loan volume resulting from the program;

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

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

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

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

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

**“(a) OVERSIGHT BOARD.—**

**“(1) ESTABLISHMENT.—**There is hereby established the Refinance Program Oversight Board (in this section referred to as the ‘Oversight Board’).

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

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

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

**“(C) The Chairman of the Board of Governors of the Federal Reserve System.**

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

**“(4) RESPONSIBILITIES.—**The Oversight Board shall be responsible for establishing program and oversight requirements for the program under this section, which shall include—

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

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

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

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

**“(E) enhancement of FHA capacity under subsection (i), including oversight of such activities and personnel as may be contracted for as provided therein;**

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

**“(G) such additional requirements as may be necessary and appropriate to oversee and implement the program.**

**“(5) USE OF RESOURCES.—**In carrying out its functions under this section, the Oversight Board may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Department of the Treasury, the Department of Housing and Urban Development, the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, and other Federal agencies, with or without reimbursement therefore.

**“(b) AUTHORITY.—**

**“(1) IN GENERAL.—**The Secretary shall, subject only to the absence of qualified requests for insurance under this section and to the limitations under subsection (h) of this section and section 531(a), make commitments to insure and insure any mortgage covering a 1- to 4-family residence that is made for the purpose of paying or prepaying outstanding obligations under an existing mortgage or mortgages on the residence if the mortgage being insured under this section meets the requirements of this section, as established by the Oversight Board, and of section 203, except as modified by this section.

**“(2) ESTABLISHMENT AND IMPLEMENTATION OF PROGRAM REQUIREMENTS.—**The Oversight Board shall establish program requirements and standards under this section and the Secretary shall implement such requirements and standards. The Oversight Board and the Secretary may establish and implement any requirements or standards through interim guidance and mortgagee letters.

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

**“(1) OWNER-OCCUPIED PRINCIPAL RESIDENCE REQUIREMENT.—**The residence to be covered by the mortgage insured under this section shall be occupied by the mortgagor as the principal residence of the mortgagor and the mortgagor shall provide a certification to the originator of the mortgage that such residence to be covered by the mortgage insured under this section is the only residence in which the mortgagor has any present ownership interest.

**“(2) LACK OF CAPACITY TO PAY EXISTING MORTGAGE OR MORTGAGES.—**

**“(A) BORROWER CERTIFICATION.—**

“(i) The mortgagor shall provide a certification to the originator of the mortgage that the mortgagor—

“(I) has not intentionally defaulted on the existing mortgage or mortgages; and

“(II) has not knowingly, or willfully and with actual knowledge furnished material information known to be false for the purpose of obtaining the existing mortgage or mortgages.

“(ii) The mortgagor shall agree in writing that the mortgagor shall be liable to repay the FHA any direct financial benefit achieved from the reduction of indebtedness on the existing mortgage or mortgages on the residence refinanced under this section derived from misrepresentations made in the certifications and documentation required under this subparagraph, subject to the discretion of the Oversight Board.

“(B) CURRENT BORROWER DEBT-TO-INCOME RATIO.—As of March 1, 2008, the mortgagor shall have had a ratio of mortgage debt to income, taking into consideration all existing mortgages at such time, greater than 35 percent.

“(C) LOSS MITIGATION RESPONSIBILITIES.—This section may not be construed to alter or in any way affect the responsibilities of any party (including the mortgage servicer) to engage in any or all loan modification or other loss mitigation strategies to maximize value to investors as established by any applicable contract.

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

“(4) MAXIMUM LOAN-TO-VALUE RATIO FOR NEW LOANS.—The mortgage being insured under this section shall involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve and including the mortgage insurance premium paid pursuant to subsection (e)(1)) in an amount not to exceed 90 percent of the current appraised value of the property. Section 203(d) shall not apply to mortgages insured under this section.

“(5) REQUIRED WAIVER OF PREPAYMENT PENALTIES AND FEES.—All penalties for prepayment of the existing mortgage or mortgages, and all fees and penalties related to default or delinquency on all existing mortgages or mortgages, shall be waived or forgiven.

“(6) REQUIRED LOAN REDUCTION.—

“(A) REDUCTION OF INDEBTEDNESS UNDER EXISTING SENIOR MORTGAGE.—The amount of indebtedness on the existing mortgage or mortgages on the residence shall have been substantially reduced by such percentage as the Oversight Board or Secretary may require, and such reduction shall be at least sufficient to—

“(i) provide for the refinancing of such existing mortgage or mortgages in an amount not greater than 90 percent of the current appraised value of the property involved;

“(ii) pay the full amount of the single premium to be collected pursuant to subsection (e)(1) (which shall be an amount equal to 3.0 percent of the amount of the original insured principal obligation of the mortgage insured under this section and which shall serve as an additional reserve to cover possible loan losses); and

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

“(B) EXTINGUISHMENT OF DEBT BY REFINANCING.—

“(i) REQUIRED AGREEMENT.—All existing holders of mortgage liens on the property involved shall agree to accept the proceeds of the insured loan as payment in full of all indebtedness under all existing mortgages, and all encumbrances related to such mortgages shall be removed. The Oversight Board may take such actions as the Oversight Board considers necessary or appropriate to facilitate coordination and agreement between the holders of the existing senior mortgage and any existing subordinate mortgages, taking into consideration the subordinate lien status of such subordinate mortgages, to comply with the requirement under this subparagraph.

“(ii) TREATMENT OF MULTIPLE MORTGAGE LIENS.—In addition to clause (i), the Oversight Board shall adopt one of the following approaches for all mortgages or such classes of mortgages as the Oversight Board may determine and may, from time to time, reconsider:

“(I) FIXED PRICE.—As a requirement for participating in this program, all existing lien holders will agree to not provide any pay-

ment to subordinate lien holders other than such payment in accordance with a formula established by the Oversight Board as set forth in clause (iii); except that the Oversight Board may establish a short period within which first and subordinate lien holders may negotiate to extinguish all subordinate liens for compensation that may be different from the amount determined under such formula set forth in clause (iii).

“(II) SHARED EQUITY.—The Oversight Board may require the mortgagor under a mortgage insured under this section to agree to share a portion of any future equity in the mortgaged property with holders of existing subordinate mortgages, in accordance with a formula for such shared equity established by the Oversight Board as set forth in clause (iii), except that payments of such shared equity may be made only after the Secretary recovers all amounts owed to the Secretary with respect to such mortgage pursuant to the program under this section (including amounts owed pursuant to paragraph (8)).

“(iii) FORMULA.—In determining a formula for determining any payments to subordinate lien holders pursuant to subclauses (I) and (II) of clause (ii), and in any reconsideration of such formula as the Oversight Board may from time to time undertake, the Oversight Board shall take into consideration the current market value of such liens. In no case may a formula provide for the payment of more than 1 percent of the current appraised value of the mortgaged property to a subordinate lien holder if the outstanding balance owed to more senior lien holders is equal to or exceeds such current appraised value.

“(iv) VOLUNTARY PROGRAM.—This subparagraph may not be construed to require any holder of any existing mortgage to participate in the program under this section generally, or with respect to any particular loan.

“(v) SOURCE OF PAYMENTS FOR SUBORDINATE LOANS.—Any amounts paid to holders of any existing subordinate mortgages in connection with the origination and insurance of a mortgage under this section shall derive only from—

“(I) the holder of the existing senior mortgage; or

“(II) in the case only of the shared equity approach under clause (ii)(II), the mortgagor under the mortgage insured under this section

“(7) REQUIRED REDUCTION OF DEBT SERVICE.—The debt service payments due under the mortgage insured under this section shall be in an amount that is substantially reduced from the debt service payments due under the existing mortgage or mortgages, which reduction may be achieved through a reduction of indebtedness, a reduction in the interest rate being paid, or an extension of the term of the mortgage, or any combination thereof.

“(8) FINANCIAL RECOVERY TO FEDERAL GOVERNMENT THROUGH EXIT PREMIUM.—

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

“(B) NO INTEREST OR PAYMENT DURING MORTGAGE.—The amount secured by the lien retained by the Secretary pursuant to subparagraph (A) shall not bear interest and shall not be repayable to the Secretary except as provided in subparagraph (D) of this paragraph.

“(C) NET PROCEEDS AVAILABLE FOR EXIT PREMIUM.—Upon the sale, refinancing, or other disposition of the residence covered by a mortgage insured under this section, any proceeds resulting from such disposition that remain after deducting the remaining insured principal balance of the mortgage insured under this section shall be available to meet the obligation under subparagraph (D).

“(D) EXIT PREMIUM.—Upon any refinancing of the mortgage insured under this section or any sale or disposition of the residence covered by the mortgage, the Secretary shall, subject to the availability of sufficient net proceeds described in subparagraph (C), receive the greater of—

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

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

“(I) in the case of any refinancing, sale, or disposition occurring during the first year of the term of the mortgage, 100 percent of such net proceeds;

“(II) in the case of any refinancing, sale, or disposition occurring during the second year of the term of the mortgage, 80 percent;

“(III) in the case of any refinancing, sale, or disposition occurring during the third year of the term of the mortgage, 60 percent; and

“(IV) in the case of any refinancing, sale, or disposition occurring during the fourth year of the term of the mortgage or at any time thereafter, 50 percent;

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

“(E) AUTHORITY TO PROHIBIT NEW SECOND LIENS.—The Oversight Board shall prohibit borrowers from granting a new second lien on the mortgaged property during the first five years of the term of the mortgage insured under this section, except as the Oversight Board determines to be necessary to ensure the appropriate maintenance of the mortgaged property.

“(9) DOCUMENTATION AND VERIFICATION OF INCOME.—In complying with the FHA underwriting requirements under the program under this section, the mortgagee under the mortgage shall document and verify the income of the mortgagor by procuring an Internal Revenue Service transcript of the income tax returns of the mortgagor for the two most recent years for which the filing deadline for such years has passed and by any other method, in accordance with procedures and standards that the Oversight Board or the Secretary shall establish.

“(10) FIXED RATE MORTGAGE.—The mortgage insured under this section shall bear interest at a single rate that is fixed for the entire term of the mortgage.

“(11) MAXIMUM LOAN AMOUNT.—Notwithstanding section 203(b)(2), the mortgage being insured under this section shall involve a principal obligation in an amount that does not exceed the limitation (for a property of the applicable size) on the amount of the principal obligation that would be allowable under the terms of section 202(a) of the Economic Stimulus Act of 2008 if the mortgage were insured pursuant to such section. The limitation on the amount of the principal obligation allowable under such Act shall apply for the purposes of this Act until the termination under subsection (n) of the program under this subsection.

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

“(13) LENDER REVIEW.—The mortgagee under the mortgage shall conduct an electronic database search of the mortgagor’s criminal history to determine if the mortgagor has had a conviction described in paragraph (12). The mortgagee may charge the mortgagor a reasonable fee for the actual cost of the search not to exceed a maximum rate established by the Oversight Board. The Oversight Board may provide clarification, if needed, to help mortgagees identify any differences among the States in how they report mortgage fraud convictions. The Oversight Board shall establish procedures sufficient to allow the mortgagor to challenge a mortgagee’s determination with respect to paragraph (12) (including to correct inaccuracies resulting from theft of the mortgagor’s identity or personally identifiable information).

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

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

“(B) be conducted in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3331 et seq.);

“(C) be completed by an appraiser who meets the competency requirements of the Uniform Standards of Professional Appraisal Practice;

“(D) be wholly consistent with the appraisal standards, practices, and procedures under section 202(e) of this Act that apply to all loans insured under this Act; and

“(E) comply with the requirements of subsection (g) of this section (relating to appraisal independence).

“(15) STATEMENT OF LOAN TERMS.—

“(A) REQUIREMENT.—The mortgagor shall have been provided by the mortgagee, not later than three days after application for the mortgage, a form described in subparagraph (B) appropriately and accurately completed by the mortgagee.

“(B) FORM.—The form described in this subparagraph shall be a single page, written disclosure regarding the mortgage loan to be insured under this section that, when completed by the mortgagee, sets forth, in accordance with such requirements as the Secretary shall by regulation establish a best possible estimate of—

- “(i) the total loan amount under the mortgage;
- “(ii) the loan-to-value ratio for the mortgage;
- “(iii) the final maturity date for the mortgage;
- “(iv) the amount of any prepayment fee to be charged if the mortgage is paid in full before the final maturity date for the mortgage, including the percentages of any net proceeds to be received by the Secretary pursuant to paragraph (8)(D)(ii);
- “(v) the amount of the exit premium under the mortgage pursuant to subsection (e)(3);
- “(vi) the interest rate under the mortgage expressed as an annual percentage rate, and the amount of the monthly payment due under such rate;
- “(vii) the fully indexed rate of interest under the mortgage expressed as an annual percentage rate and the amount of the monthly payment due under such rate;
- “(viii) the monthly household income of the borrower upon which the mortgage is based;
- “(ix) the amount of the monthly payment due under the mortgage, and the amount of such initial monthly payment plus monthly amounts due for taxes and insurance on the property for which the mortgage is made, both expressed as a percentage of the monthly household income of the borrower; and
- “(x) the aggregate amount of settlement charges for all settlement services provided in connection with the mortgage, the amount of such charges that are included in the principal amount and the amount of such charges the borrower must pay at closing, the aggregate amount of mortgagee’s fees in connection with the mortgage, and the aggregate amount of other fees or required payments in connection with the mortgage.

“(d) FLEXIBLE UNDERWRITING CRITERIA.—

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

“(A) ensure that each mortgagor under a mortgage insured under this section has a reasonable expectation of repaying the mortgage, taking into consideration the mortgagor’s income, assets, liabilities, payment history, and other applicable criteria, but which shall not result in a denial of insurance solely on the basis of the mortgagor’s current FICO or other credit scores, or any delinquency or default by the mortgagor under the existing mortgage or mortgages, or any case filed under title 11, United States Code, by the mortgagor; and

“(B) subject to the provisions of subparagraph (A), permit a total debt-to-income ratio of up to 43 percent.

“(2) EXCEPTION.—

“(A) IN GENERAL.—Subject to the underwriting standards established under paragraph (1)(A) and any additional requirements that the Oversight Board considers appropriate, the Oversight Board shall permit a total debt-to-income ratio of more than 43 percent, but not more than 50 percent, if the mortgagor has made, on a timely basis before the endorsement of the mortgage insured under this section, not less than six months of payments in an amount not less than the amount of the monthly payment due under the mortgage to be insured under this section. The holder of the existing senior mortgage shall exercise forbearance with respect to such mortgage during the period in which such payments are made.

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

“(i) if the mortgagor is a debtor in a case under chapter 13 of title 11, United States Code, payments on recurring debts other than housing expenses shall be based on the amounts being paid on such debts under the mortgagor’s confirmed plan under such chapter; and

“(ii) if the mortgagor is a debtor in a case under chapter 7 of title 11, United States Code, recurring debts that are to be discharged in that case shall not be considered.

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

“(4) **REPRESENTATIONS AND WARRANTIES.**—The Oversight Board shall require the underwriter of the insured loan to provide such representations and warranties as the Oversight Board considers necessary or appropriate for the Secretary to enforce compliance with all underwriting and appraisal standards of the program.

“(e) **PREMIUMS.**—For each mortgage insured under this section, the Oversight Board shall establish and the Secretary shall collect—

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

“(2) in addition to the premium under paragraph (1), annual premium payments in an amount equal to 1.50 percent of the remaining insured principal balance of the mortgage; and

“(3) an exit premium in the amount determined under subsection (c)(8), but which shall not be less than 3.0 percent of the original insured principal obligation of the mortgage, subject only to the availability of sufficient net proceeds from sale, refinancing, or other disposition of the property, as determined in subsection (c)(8).

“(f) **ORIGINATION FEES AND MORTGAGE RATE.**—The Oversight Board shall establish and the Secretary shall implement a reasonable limitation on origination fees for mortgages insured under this section and shall establish procedures to ensure that interest rates on such mortgages shall be commensurate with market rate interest rates on such types of loans.

“(g) **APPRAISAL INDEPENDENCE.**—

“(1) **PROHIBITIONS ON INTERESTED PARTIES IN A REAL ESTATE TRANSACTION.**—No mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, nor any other person with an interest in a real estate transaction involving an appraisal in connection with a mortgage insured under this section shall improperly influence, or attempt to improperly influence, through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, non-payment for services rendered, or bribery, the development, reporting, result, or review of a real estate appraisal sought in connection with the mortgage.

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

“(A) Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal.

“(B) Provide further detail, substantiation, or explanation for the appraiser’s value conclusion.

“(C) Correct errors in the appraisal report.

“(3) **CIVIL MONETARY PENALTIES.**—The Secretary may impose a civil money penalty for any knowing and material violation of paragraph (1) under the same terms and conditions as are authorized in section 536(a) of this Act.

“(h) **LIMITATION ON AGGREGATE INSURANCE AUTHORITY.**—The aggregate original principal obligation of all mortgages insured under this section may not exceed \$300,000,000,000.

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

“(1) contract for the establishment of underwriting criteria, automated underwriting systems, pricing standards, and other factors relating to eligibility for mortgages insured under this section;

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

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

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



“(1) MONITORING OF DESIGNATED UNDERWRITERS.—The Oversight Board and the Secretary shall monitor independent quality reviews as established pursuant to subsection (i)(2) to—

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

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

“(C) terminate eligibility of designated underwriters that do not meet minimum performance standards as the Oversight Board may establish and the Secretary implements.

“(2) REPORTS BY OVERSIGHT BOARD.—The Oversight Board shall submit monthly reports to the Congress identifying the progress of the program for mortgage insurance under this section, which shall contain the following information for each month:

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

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

“(C) The average amount by which the indebtedness on existing mortgages is reduced in accordance with subsection (c)(6).

“(D) The average amount by which the debt service payments on existing mortgages is reduced in accordance with subsection (c)(7).

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

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

“(G) The race, ethnicity, gender, and income of the mortgagors, aggregated by geographical areas at least as specific as census tracts, except where necessary to protect privacy of the borrower.

“(H) Any other information that the Oversight Board considers appropriate.

“(3) REPORT BY INSPECTOR GENERAL.—The Inspector General of the Department of Housing and Urban Development shall conduct an annual audit of the program for mortgage insurance under this section to determine compliance with this section and program rules.

“(k) GNMA COMMITMENT AUTHORITY.—

“(1) GUARANTEES.—The Secretary shall take such actions as may be necessary to ensure that securities based on and backed by a trust or pool composed of mortgages insured under this section are available to be guaranteed by the Government National Mortgage Association as to the timely payment of principal and interest.

“(2) GUARANTEE AUTHORITY.—To carry out the purposes of section 306 of the National Housing Act (12 U.S.C. 1721), the Government National Mortgage Association may enter into new commitments to issue guarantees of securities based on or backed by mortgages insured under this section, not exceeding \$300,000,000,000. The amount of authority provided under the preceding sentence to enter into new commitments to issue guarantees is in addition to any amount of authority to make new commitments to issue guarantees that is provided to the Association under any other provision of law.

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

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

“(1) EXISTING MORTGAGE.—The term ‘existing mortgage’ means, with respect to a mortgage insured under this section, a mortgage that is to be extinguished, and paid or prepaid, from the proceeds of the mortgage insured under this section.

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

“(3) EXISTING SUBORDINATE MORTGAGE.—The term ‘existing subordinate mortgage’ means, with respect to a mortgage insured under this section, an existing mortgage that has subordinate priority to the existing senior mortgage.

“(n) SUNSET.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the authority of the Secretary to make any new commitment to insure any mortgage under this section shall terminate upon the expiration of the 2-year period beginning on the date of the enactment of the FHA Housing Stabilization and Homeownership Retention Act of 2008.

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

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

“(i) certifies the need for such extension in writing to the Congress; and

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

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

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

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

“(A) not less than 15 percent of the funds made available pursuant to this paragraph shall be provided to counseling organizations that target counseling services regarding loss mitigation to minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners;

“(B) \$35,000,000 of the funds made available pursuant to this paragraph shall be used by the Neighborhood Reinvestment Corporation (referred to in this subparagraph as the ‘NRC’) to make grants to State and local legal organizations or attorneys that have demonstrated legal experience in home foreclosure or eviction law to provide legal assistance related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure or to counseling intermediaries that have been approved by the Department of Housing and Urban Development for the purpose of making such grants or contracting for such legal assistance; of the amount provided under this subparagraph, at least 60 percent shall be allocated for legal assistance to low-income homeowners or tenants; such attorneys shall be capable of assisting homeowners in owner-occupied homes or tenants who live in homes with mortgages in default, in danger of default, or subject to or at risk of foreclosure or eviction and who have legal issues that cannot be handled by counselors employed by NRC intermediaries; in using the amount made available under this subparagraph, the NRC shall give priority consideration to State and local legal organizations and attorneys that (i) provide legal assistance in the 100 metropolitan statistical areas (as defined by the Director of the Office of Management and Budget) with the highest home foreclosure rates, and (ii) have the capacity to begin using the financial assistance within 90 days after receipt of the assistance; as a condition of the receipt of a grant under this subparagraph, the grantee shall submit to NRC information relating to the demographic characteristics of the assisted homeowners or tenants, the dollar amount and terms of the relevant mortgages and the outcome of legal proceedings related to the foreclosure or eviction proceedings, including the resolutions thereof;

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

“(D) the NRC shall give priority consideration for funding with amounts made available pursuant to this paragraph, except for funds made available under subparagraphs (A) and (B), to entities that have an effective plan in place for making contact, including personal contact, with defaulted mortgagors, and such a plan may include use of third parties (including both for-profit and not-for-profit entities) to make personal contact with defaulted mortgagors, or visits to such mortgagors, or both;

“(E) except with respect to funds reserved under subparagraphs (A) and (B), the NRC shall give priority consideration for funding with amounts made available pursuant to this paragraph to entities that have a written plan that has been implemented for providing in-person counseling and for making contact, including personal contact, with defaulted mortgagors, for the purpose of providing counseling or providing information about available counseling, both (i) prior to commencement of any foreclosure proceedings, and (ii) in the event effective in person or phone contact has not been made with such defaulted mortgagors prior thereto, then prior to the conclusion of the foreclosure process; and

“(F) not less than 2 percent of the funds made available pursuant to this paragraph shall be used only for identifying and notifying borrowers under existing mortgages who are eligible under this section for insurance of refinancing mortgages, and in making funds reserved under this subparagraph available for such purpose, the Secretary shall give preference to assistance for programs that have a proven history of outreach within minority communities; and

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

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

“(1) AUDIT.—The Inspector General of the Department of Housing and Urban Development shall conduct an audit of the program for loss mitigation counseling funded with amounts made available under subsection (o)(1) to determine compliance with such subsection.

“(2) REPORTS TO CONGRESS.—Not later than March 30, 2009, and every calendar quarter thereafter, the Inspector General shall submit to the appropriate committees of the Congress a report summarizing the activities of the Inspector General and the Neighborhood Reinvestment Corporation during the 120-day period ending on the date of such report. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with paragraphs (1) and (2) of subsection (o), including—

- “(A) obligations and expenditures of appropriated funds;
- “(B) the number of homeowners eligible in such program;
- “(C) the number of homeowners participating in such program;
- “(D) the status of homeowners within such program;
- “(E) the number of homeowners who have rejected assistance from the Neighborhood Reinvestment Corporation; and
- “(F) information on participating counseling services.”.

(b) SPECIAL RISK INSURANCE FUND.—Section 238 of the National Housing Act (12 U.S.C. 1715z–3) is amended—

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

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

**SEC. 103. STUDY OF AUCTION OR BULK REFINANCE PROGRAM.**

(a) STUDY.—The Board of Governors of the Federal Reserve System (in this section referred to as the “Board of Governors”), in consultation with other members of the Oversight Board established by section 257(a) of the National Housing Act (as added by the amendment made by section 102(a) of this Act), shall conduct a study of the need for and efficacy of an auction or bulk refinancing mechanism to facilitate refinancing of existing residential mortgages that are at risk for foreclosure into mortgages insured under the mortgage insurance program under title II of the National Housing Act. The study shall identify and examine various options for mechanisms under which lenders and servicers of such mortgages may make bids for forward commitments for such insurance in an expedited manner.

(b) CONTENT.—

(1) ANALYSIS.—The study required under subsection (a) shall analyze—

- (A) the feasibility of establishing a mechanism that would facilitate the more rapid refinancing of borrowers at risk of foreclosure into performing mortgages insured under title II of the National Housing Act;
- (B) whether such a mechanism would provide an effective and efficient mechanism to reduce foreclosures on qualified existing mortgages;
- (C) whether the use of an auction or bulk refinance program is necessary to stabilize the housing market and reduce the impact of turmoil in that market on the economy of the United States;
- (D) whether there are other mechanisms or authority that would be useful to reduce foreclosure; and
- (E) and any other factors that the Board of Governors considers relevant.

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

- (A) determine and identify any additional authority or resources needed to establish and operate such a mechanism;
- (B) determine whether there is a need for additional authority with respect to the loan underwriting criteria included in the amendment made by section 102(a) of this Act or with respect to eligibility of participating borrowers, lenders, or holders of liens;

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

(c) REPORT.—Not later than the expiration of the 60-day period beginning on the date of the enactment of this Act, the Board of Governors shall submit a report regarding the results of the study conducted under this section to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate. The report shall include a detailed description of the analysis required under subsection (b)(1) and of the determinations made pursuant to subsection (b)(2), and shall include any other findings and recommendations of the Board of Governors pursuant to the study, including identifying various options for mechanisms described in subsection (a).

**SEC. 104. TEMPORARY INCREASE IN MAXIMUM LOAN GUARANTY AMOUNT FOR CERTAIN HOUSING LOANS GUARANTEED BY SECRETARY OF VETERANS AFFAIRS.**

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

(1) the limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for the calendar year in which the loan is originated for a single-family residence; or

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

**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.**

(a) STUDY REQUIRED.—The Board of Governors of the Federal Reserve System shall conduct a study on mark-to-market accounting standards applicable to depository institutions with respect to their residential mortgages that are at risk of foreclosure, the effects of such accounting standards and capital requirements on a depository institution’s capacity to provide refinancing to residential mortgagors that are at risk of foreclosure and to residential mortgagors during periods of market value declines and increased foreclosures, and the feasibility of modifications of such standards, requirements, and regulatory actions during periods of market fluctuation in order to maintain the ability of the institution to continue to carry mortgages on residential property at risk of foreclosure and assure the availability of credit to refinance at-risk residential mortgages.

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

**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.**

The Comptroller General of the United States shall conduct a study to analyze the effects of tightening credit markets on prospective first-time home buyers who reside in selected communities that have been most detrimentally affected by both the current subprime mortgage foreclosure crisis and predatory mortgage lending. Such study shall also analyze the adequacy of financial literacy outreach efforts by agencies of the Federal Government tasked with implementing financial literacy education in such communities and shall assess whether the current funding levels for such efforts are at sufficient levels to reduce the levels of subprime mortgage delinquencies and foreclosures and to increase the level of financial literacy in the selected communities so as to minimize the incidences of predatory mortgage lending. Not later than the expiration of the 6-month period beginning on the date of the enactment of this Act, the Comptroller General shall submit a report to the Congress setting forth the results of the study and including recommendations regarding such funding levels.

## TITLE II—OFFICE OF HOUSING COUNSELING

### SEC. 201. SHORT TITLE.

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

### SEC. 202. ESTABLISHMENT OF OFFICE OF HOUSING COUNSELING.

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

#### “(g) OFFICE OF HOUSING COUNSELING.—

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

“(2) DIRECTOR.—There is established the position of Director of Housing Counseling. The Director shall be the head of the Office of Housing Counseling and shall be appointed by the Secretary. Such position shall be a career-reserved position in the Senior Executive Service.

#### “(3) FUNCTIONS.—

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

“(i) research, grant administration, public outreach, and policy development relating to such counseling; and

“(ii) establishment, coordination, and administration of all regulations, requirements, standards, and performance measures under programs and laws administered by the Department that relate to housing counseling, homeownership counseling (including maintenance of homes), mortgage-related counseling (including home equity conversion mortgages and credit protection options to avoid foreclosure), and rental housing counseling, including the requirements, standards, and performance measures relating to housing counseling.

“(B) SPECIFIC FUNCTIONS.—The Director shall carry out the functions assigned to the Director and the Office under this section and any other provisions of law. Such functions shall include establishing rules necessary for—

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

“(ii) carrying out all other functions of the Secretary under section 106(g) of the Housing and Urban Development Act of 1968, including the establishment, operation, and publication of the availability of the toll-free telephone number under paragraph (2) of such section;

“(iii) carrying out section 5 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2604) for home buying information booklets prepared pursuant to such section;

“(iv) carrying out the certification program under section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e));

“(v) carrying out the assistance program under section 106(a)(4) of the Housing and Urban Development Act of 1968, including criteria for selection of applications to receive assistance;

“(vi) carrying out any functions regarding abusive, deceptive, or unscrupulous lending practices relating to residential mortgage loans that the Secretary considers appropriate, which shall include conducting the study under section 206 of the Expand and Preserve Home Ownership Through Counseling Act;

“(vii) providing for operation of the advisory committee established under paragraph (4) of this subsection;

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

“(ix) providing for the building of capacity to provide housing counseling services in areas that lack sufficient services.

#### “(4) ADVISORY COMMITTEE.—

“(A) IN GENERAL.—The Secretary shall appoint an advisory committee to provide advice regarding the carrying out of the functions of the Director.

“(B) MEMBERS.—Such advisory committee shall consist of not more than 12 individuals, and the membership of the committee shall equally represent all aspects of the mortgage and real estate industry, including consumers.

“(C) TERMS.—Except as provided in subparagraph (D), each member of the advisory committee shall be appointed for a term of 3 years. Members may be reappointed at the discretion of the Secretary.

“(D) TERMS OF INITIAL APPOINTEES.—As designated by the Secretary at the time of appointment, of the members first appointed to the advisory committee, 4 shall be appointed for a term of 1 year and 4 shall be appointed for a term of 2 years.

“(E) PROHIBITION OF PAY; TRAVEL EXPENSES.—Members of the advisory committee shall serve without pay, but shall receive travel expenses, including per diem in lieu of subsistence, in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

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

“(5) SCOPE OF HOMEOWNERSHIP COUNSELING.—In carrying out the responsibilities of the Director, the Director shall ensure that homeownership counseling provided by, in connection with, or pursuant to any function, activity, or program of the Department addresses the entire process of homeownership, including the decision to purchase a home, the selection and purchase of a home, issues arising during or affecting the period of ownership of a home (including refinancing, default and foreclosure, and other financial decisions), and the sale or other disposition of a home.”.

#### SEC. 203. COUNSELING PROCEDURES.

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

“(g) PROCEDURES AND ACTIVITIES.—

“(1) COUNSELING PROCEDURES.—

“(A) IN GENERAL.—The Secretary shall establish, coordinate, and monitor the administration by the Department of Housing and Urban Development of the counseling procedures for homeownership counseling and rental housing counseling provided in connection with any program of the Department, including all requirements, standards, and performance measures that relate to homeownership and rental housing counseling.

“(B) HOMEOWNERSHIP COUNSELING.—For purposes of this subsection and as used in the provisions referred to in this subparagraph, the term ‘homeownership counseling’ means counseling related to homeownership and residential mortgage loans. Such term includes counseling related to homeownership and residential mortgage loans that is provided pursuant to—

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

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

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

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

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

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

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

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

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

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

“(iii) section 302(a)(4) of the American Homeownership and Economic Opportunity Act of 2000 (42 U.S.C. 1437f note);

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

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

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

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

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

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

“(x) in the National Housing Act—

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

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

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

“(xi) section 502(h)(4)(B) of the Housing Act of 1949 (42 U.S.C. 1472(h)(4)(B)); and

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

“(C) RENTAL HOUSING COUNSELING.—For purposes of this subsection, the term ‘rental housing counseling’ means counseling related to rental of residential property, which may include counseling regarding future homeownership opportunities and providing referrals for renters and prospective renters to entities providing counseling and shall include counseling related to such topics that is provided pursuant to—

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

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

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

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

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

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

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

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

“(iii) section 233(b)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12773(b)(2));

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

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

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

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

“(viii) the rental assistance program under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

“(2) STANDARDS FOR MATERIALS.—The Secretary, in conjunction with the advisory committee established under subsection (g)(4) of the Department of Housing and Urban Development Act, shall establish standards for materials and forms to be used, as appropriate, by organizations providing homeownership counseling services, including any recipients of assistance pursuant to subsection (a)(4).

“(3) MORTGAGE SOFTWARE SYSTEMS.—

“(A) CERTIFICATION.—The Secretary shall provide for the certification of various computer software programs for consumers to use in evaluating different residential mortgage loan proposals. The Secretary shall require, for such certification, that the mortgage software systems take into account—

“(i) the consumer’s financial situation and the cost of maintaining a home, including insurance, taxes, and utilities;

“(ii) the amount of time the consumer expects to remain in the home or expected time to maturity of the loan;

“(iii) such other factors as the Secretary considers appropriate to assist the consumer in evaluating whether to pay points, to lock in an interest rate, to select an adjustable or fixed rate loan, to select a conventional or government-insured or guaranteed loan and to make other choices during the loan application process.

If the Secretary determines that available existing software is inadequate to assist consumers during the residential mortgage loan application process, the Secretary shall arrange for the development by private sector software companies of new mortgage software systems that meet the Secretary’s specifications.

“(B) USE AND INITIAL AVAILABILITY.—Such certified computer software programs shall be used to supplement, not replace, housing counseling. The Secretary shall provide that such programs are initially used only in connection with the assistance of housing counselors certified pursuant to subsection (e).

“(C) AVAILABILITY.—After a period of initial availability under subparagraph (B) as the Secretary considers appropriate, the Secretary shall take reasonable steps to make mortgage software systems certified pursuant to

this paragraph widely available through the Internet and at public locations, including public libraries, senior-citizen centers, public housing sites, offices of public housing agencies that administer rental housing assistance vouchers, and housing counseling centers.

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

“(A) IN GENERAL.—The Director of Housing Counseling shall develop, implement, and conduct national public service multimedia campaigns designed to make persons facing mortgage foreclosure, persons considering a subprime mortgage loan to purchase a home, elderly persons, persons who face language barriers, low-income persons, and other potentially vulnerable consumers aware that it is advisable, before seeking or maintaining a residential mortgage loan, to obtain homeownership counseling from an unbiased and reliable source and that such homeownership counseling is available, including through programs sponsored by the Secretary of Housing and Urban Development.

“(B) CONTACT INFORMATION.—Each segment of the multimedia campaign under subparagraph (A) shall publicize the toll-free telephone number and web site of the Department of Housing and Urban Development through which persons seeking housing counseling can locate a housing counseling agency in their State that is certified by the Secretary of Housing and Urban Development and can provide advice on buying a home, renting, defaults, foreclosures, credit issues, and reverse mortgages.

“(C) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary, not to exceed \$3,000,000 for fiscal years 2008, 2009, and 2010, for the develop, implement, and conduct of national public service multimedia campaigns under this paragraph.

“(5) EDUCATION PROGRAMS.—The Secretary shall provide advice and technical assistance to States, units of general local government, and nonprofit organizations regarding the establishment and operation of, including assistance with the development of content and materials for, educational programs to inform and educate consumers, particularly those most vulnerable with respect to residential mortgage loans (such as elderly persons, persons facing language barriers, low-income persons, and other potentially vulnerable consumers), regarding home mortgages, mortgage refinancing, home equity loans, and home repair loans.”.

(b) CONFORMING AMENDMENTS TO GRANT PROGRAM FOR HOMEOWNERSHIP COUNSELING ORGANIZATIONS.—Section 106(c)(5)(A)(ii) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(c)(5)(A)(ii)) is amended—

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

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

(3) by inserting after subclause (IV) the following new subclause:

“(V) notify the housing or mortgage applicant of the availability of mortgage software systems provided pursuant to subsection (g)(3).”.

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

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

“(4) HOMEOWNERSHIP AND RENTAL COUNSELING ASSISTANCE.—

“(A) IN GENERAL.—The Secretary shall make financial assistance available under this paragraph to States, units of general local governments, and nonprofit organizations providing homeownership or rental counseling (as such terms are defined in subsection (g)(1)).

“(B) QUALIFIED ENTITIES.—The Secretary shall establish standards and guidelines for eligibility of organizations (including governmental and nonprofit organizations) to receive assistance under this paragraph.

“(C) DISTRIBUTION.—Assistance made available under this paragraph shall be distributed in a manner that encourages efficient and successful counseling programs.

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

“(i) the operations of the Office of Housing Counseling of the Department of Housing and Urban Development;

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

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



**SEC. 205. REQUIREMENTS TO USE HUD-CERTIFIED COUNSELORS UNDER HUD PROGRAMS.**

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

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

“(1) REQUIREMENT FOR ASSISTANCE.—An organization may not receive assistance for counseling activities under subsection (a)(1)(iii), (a)(2), (a)(4), (c), or (d) of this section, or under section 101(e), unless the organization, or the individuals through which the organization provides such counseling, has been certified by the Secretary under this subsection as competent to provide such counseling.”;

(2) in paragraph (2)—

(A) by inserting “and for certifying organizations” before the period at the end of the first sentence; and

(B) in the second sentence by striking “for certification” and inserting “, for certification of an organization, that each individual through which the organization provides counseling shall demonstrate, and, for certification of an individual.”;

(3) in paragraph (3), by inserting “organizations and” before “individuals”;

(4) by redesignating paragraph (3) as paragraph (5); and

(5) by inserting after paragraph (2) the following new paragraphs:

“(3) REQUIREMENT UNDER HUD PROGRAMS.—Any homeownership counseling or rental housing counseling (as such terms are defined in subsection (g)(1)) required under, or provided in connection with, any program administered by the Department of Housing and Urban Development shall be provided only by organizations or counselors certified by the Secretary under this subsection as competent to provide such counseling.

“(4) OUTREACH.—The Secretary shall take such actions as the Secretary considers appropriate to ensure that individuals and organizations providing homeownership or rental housing counseling are aware of the certification requirements and standards of this subsection and of the training and certification programs under subsection (f).”.

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

The Secretary of Housing and Urban Development shall conduct an extensive study of the root causes of default and foreclosure of home loans, using as much empirical data as are available. The study shall also examine the role of escrow accounts in helping prime and nonprime borrowers to avoid defaults and foreclosures. Not later than 12 months after the date of the enactment of this Act, the Secretary shall submit to the Congress a preliminary report regarding the study. Not later than 24 months after such date of enactment, the Secretary shall submit a final report regarding the results of the study, which shall include any recommended legislation relating to the study, and recommendations for best practices and for a process to identify populations that need counseling the most.

**SEC. 207. DEFINITIONS FOR COUNSELING-RELATED PROGRAMS.**

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

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

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

“(2) STATE.—The term ‘State’ means each of the several States, the Commonwealth of Puerto Rico, the District of Columbia, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific, or any other possession of the United States.

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

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

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

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

(2) by striking subsections (a) and (b) and inserting the following new subsections:

“(a) PREPARATION AND DISTRIBUTION.—The Secretary shall prepare, at least once every 5 years, a booklet to help consumers applying for federally related mortgage loans to understand the nature and costs of real estate settlement services. The Sec-

retary shall prepare the booklet in various languages and cultural styles, as the Secretary determines to be appropriate, so that the booklet is understandable and accessible to homebuyers of different ethnic and cultural backgrounds. The Secretary shall distribute such booklets to all lenders that make federally related mortgage loans. The Secretary shall also distribute to such lenders lists, organized by location, of homeownership counselors certified under section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) for use in complying with the requirement under subsection (c) of this section.

“(b) CONTENTS.—Each booklet shall be in such form and detail as the Secretary shall prescribe and, in addition to such other information as the Secretary may provide, shall include in plain and understandable language the following information:

“(1) A description and explanation of the nature and purpose of the costs incident to a real estate settlement or a federally related mortgage loan. The description and explanation shall provide general information about the mortgage process as well as specific information concerning, at a minimum—

“(A) balloon payments;

“(B) prepayment penalties; and

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

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

“(3) A list and explanation of lending practices, including those prohibited by the Truth in Lending Act or other applicable Federal law, and of other unfair practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement.

“(4) A list and explanation of questions a consumer obtaining a federally related mortgage loan should ask regarding the loan, including whether the consumer will have the ability to repay the loan, whether the consumer sufficiently shopped for the loan, whether the loan terms include prepayment penalties or balloon payments, and whether the loan will benefit the borrower.

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

“(6) A brief explanation of the nature of a variable rate mortgage and a reference to the booklet entitled ‘Consumer Handbook on Adjustable Rate Mortgages’, published by the Board of Governors of the Federal Reserve System pursuant to section 226.19(b)(1) of title 12, Code of Federal Regulations, or to any suitable substitute of such booklet that such Board of Governors may subsequently adopt pursuant to such section.

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

“(8) Information about homeownership counseling services made available pursuant to section 106(a)(4) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(a)(4)), a recommendation that the consumer use such services, and notification that a list of certified providers of homeownership counseling in the area, and their contact information, is available.

“(9) An explanation of the nature and purpose of escrow accounts when used in connection with loans secured by residential real estate and the requirements under section 10 of this Act regarding such accounts.

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

“(11) An explanation of a consumer’s responsibilities, liabilities, and obligations in a mortgage transaction.

“(12) An explanation of the nature and purpose of real estate appraisals, including the difference between an appraisal and a home inspection.

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

The booklet prepared pursuant to this section shall take into consideration differences in real estate settlement procedures that may exist among the several States and territories of the United States and among separate political subdivisions within the same State and territory.”;

(3) in subsection (c), by inserting at the end the following new sentence: “Each lender shall also include with the booklet a reasonably complete or updated list of homeownership counselors who are certified pursuant to section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) and located in the area of the lender.”; and

(4) in subsection (d), by inserting after the period at the end of the first sentence the following: “The lender shall provide the HUD-issued booklet in the version that is most appropriate for the person receiving it.”.

### **TITLE III—COMBATING MORTGAGE FRAUD**

#### **SEC. 301. AUTHORIZATION OF APPROPRIATIONS TO COMBAT MORTGAGE FRAUD.**

For fiscal years 2008, 2009, 2010, 2011, and 2012, there are authorized to be appropriated to the Attorney General a total of—

(1) \$31,250,000 to support the employment of 30 additional agents of the Federal Bureau of Investigation and 2 additional dedicated prosecutors at the Department of Justice to coordinate prosecution of mortgage fraud efforts with the offices of the United States Attorneys; and

(2) \$750,000 to support the operations of interagency task forces of the Federal Bureau of Investigation in the areas with the 15 highest concentrations of mortgage fraud.

#### **PURPOSE AND SUMMARY**

H.R. 5830, the FHA Housing Stabilization and Homeownership Retention Act of 2008, is intended to create a voluntary Federal Housing Administration (FHA) program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market. H.R. 5830 seeks to stem the rise in mortgage foreclosures by allowing FHA to insure and guarantee refinanced mortgages that have been significantly written down by mortgage holders and lenders. H.R. 5830 would permit FHA to provide up to \$300 billion in new guarantees to help refinance at-risk borrowers into viable mortgages. In exchange for the acceptance of a substantial write-down of principal, the existing lender or mortgage holder would receive a short payment from the proceeds of a new FHA loan if the restructured loan would result in terms that the borrower can reasonably be expected to pay. The existing lender or mortgage holder would have a cash payment and no further credit exposure to the borrower.

Under the program created by H.R. 5830, a borrower or existing loan servicer of an eligible loan would contact an FHA-approved lender, who would determine the size of a loan that would be consistent with the requirements of the program and that the borrower could reasonably repay. If the current lender or mortgage holder agrees to a write-down that is sufficient to meet the requirements of the program and make the new loan affordable, the FHA-lender will pay off the discounted existing mortgage.

In addition to a first lien, the program gives the government a soft second lien to help defray the government’s costs and prevent unjust enrichment (e.g., borrower flipping). When the borrower sells the home or refinances the loan, the borrower will pay from any profits the higher of an ongoing exit fee equal to 3 percent of the original FHA loan balance or a declining percentage of any profits.

H.R. 5830 also establishes within the Department of Housing and Urban Development (HUD) an Office of Housing Counseling that will conduct activities relating to homeownership and rental housing counseling, and authorizes appropriations to hire additional FBI agents and Department of Justice prosecutors to combat mortgage fraud.

## BACKGROUND AND NEED FOR LEGISLATION

A record number of American families are facing or are at risk of foreclosure. According to data from the Mortgage Bankers Association (MBA), the delinquency rate for mortgage loans on single-family properties stood at 5.82 percent of all loans outstanding in the fourth quarter of 2007, up almost 20 percent from one year ago. This is the highest total delinquency rate in the MBA survey in over 20 years. And this delinquency data does not take into account loans in the foreclosure process. The percentage of loans in the foreclosure process has risen over 70 percent in the last year and stands at the highest level ever. In her testimony at the April 9, 2008 hearing, Chairman Sheila Bair of the FDIC also cited data from the MBA and observed that over 20 percent of subprime adjustable rate mortgages (ARMs) were seriously delinquent in the fourth quarter of 2007, and over 14 percent of all subprime mortgages were seriously delinquent.

The increase in foreclosures and delinquencies can be traced to the rise of securitization coupled with the proliferation of subprime and other exotic ARMs, which were given to many borrowers with the expectation that they could sell or refinance before the loans reset. The typical subprime hybrid ARM has a fixed interest rate during the initial two or three year period but then resets every six months. Many of these loans were extended under the assumption that housing prices would continue to appreciate. However, stagnant or negative home price appreciation has limited refinance options for many subprime—as well as Alt-A and prime—borrowers. According to Mark Zandi of Economy.com, 550,000 first mortgage loans were in default as of the end of January 2008. This pace would leave 2.2 million defaults this year and could go as high as 3 million. In addition, Mr. Zandi also notes nearly 8.8 million homeowners, or 10 percent of all homeowners, are “underwater” (i.e., their mortgage debt exceeds the value of their homes). Similarly, Governor Randall Kroszner of the Federal Reserve testified at the April 9, 2008 hearing that more than 1.5 million foreclosures were started during 2007, up 53 percent from the previous year, and the consensus expectation is that the number of foreclosures in 2008 will likely exceed the number in 2007.

Rising delinquency and foreclosure rates have reverberated in the secondary market, decreasing the value of mortgage backed securities and reducing the availability of credit. Accordingly, lenders have tightened credit standards, making it more difficult for delinquent borrowers to refinance. Chairman Bair noted the sharp contraction in credit availability in her April 9, 2008 testimony, stating that the total U.S. mortgage debt originated in the fourth quarter of 2007 was \$450 billion, down 38 percent from the fourth quarter of 2006, and that the total issuance of subprime mortgage-backed securities fell by 89 percent in the fourth quarter of 2007 compared to the prior year.

At the same time, because of falling home prices in many parts of the country, many borrowers—even those current on their mortgages—find themselves unable to refinance into more affordable or fixed-rate products because their outstanding mortgage loan balances exceed their homes’ values. These borrowers’ inability to refinance before a rate reset may be creating a downward cycle with

increasing foreclosure rates, which in turn further lowers local property values, further eroding credit availability. A February 2008 Center for Responsible Lending study notes that foreclosures have a significant impact on the neighborhoods and communities in which they occur, estimating that 40.6 million homes will experience devaluation due to foreclosures on neighboring properties that were financed with subprime loans.

#### HEARINGS

During the 110th Congress, the Committee on Financial Services and its subcommittees held several hearings to examine the need for legislation and policy alternatives on this legislation.

The Financial Services Committee held a hearing on April 10, 2008, entitled "Using FHA for Housing Stabilization and Homeownership Retention." The following witnesses testified: The Honorable Martin O'Malley, Governor, State of Maryland, The Honorable Adrian M. Fenty, Mayor, District of Columbia, The Honorable Thomas M. Menino, Mayor, City of Boston, The Honorable Oscar B. Goodman, Mayor, City of Las Vegas, Mr. Doug Garver, Executive Director, Ohio Housing Finance Agency, Mr. David C. Lizarraga, Chairman, US Hispanic Chamber of Commerce, Ms. Sheila Crowley, President, National Low Income Housing Coalition, Mr. Hilary O. Shelton, Director, NAACP Washington Bureau, Mr. Victor Burrola, Director, Homeownership Network, National Council of La Raza.

The Financial Services Committee held a hearing on April 9, 2008, entitled "Using FHA for Housing Stabilization and Homeownership Retention." The following witnesses testified: The Honorable Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation, The Honorable John C. Dugan, Comptroller, Office of the Comptroller of the Currency, The Honorable John M. Reich, Director, Office of Thrift Supervision, The Honorable Randall Kroszner, Board Member, Board of Governors of the Federal Reserve System, The Honorable Brian Montgomery, Assistant Secretary for Housing-Federal Housing Commissioner, United States Department of Housing and Urban Development, Mr. Brian Wesbury, Chief Economist, First Trust Advisors L.P., Dr. Alan S. Blinder, Ph.D., Gordon S. Rentschler Memorial Professor of Economics and Public Affairs, Princeton University, Dr. Allen Sinai, Chief Global Economist, Strategist and President, Decision Economics, Inc.

The Financial Services Committee held a hearing on September 20, 2007, entitled "Legislative and Regulatory Options for Minimizing and Mitigating Mortgage Foreclosures." The following witnesses testified: The Honorable Henry M. Paulson, Jr., Secretary of the Treasury, United States Department of the Treasury, The Honorable Alphonso Jackson, Secretary of Housing and Urban Development, United States Department of Housing and Urban Development, The Honorable Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, Mr. Daniel H. Mudd, President and Chief Executive Officer, Fannie Mae, Dr. Richard F. Syron, Chairman and Chief Executive Officer, Freddie Mac, Ms. Judith Liben, Massachusetts Law Reform Institute, Mr. John M. Robbins, Chairman, Mortgage Bankers Association, Mr. Harry H. Dinham, CMC, Past-President, National Association of Mortgage Brokers (NAMB), The Dinham Companies, Mr. Bruce Marks, Chief

Executive Officer, Neighborhood Assistance Corporation of America, Mr. Alex J. Pollock, Resident Fellow, American Enterprise Institute.

The Financial Services Committee held a field hearing in Minneapolis, Minnesota on August 9, 2007, entitled "The Effect of Predatory Lending and the Foreclosure Crisis on Twin Cities' Communities and Neighborhoods." The following witnesses testified: The Honorable R. T. Rybak, Mayor, Minneapolis, Minnesota, The Honorable Chris Coleman, Mayor, St. Paul, Minnesota, The Honorable Lori Swanson, Attorney General, State of Minnesota, Mr. Richard M. Todd, Minneapolis Federal Reserve Chair Vice President, Federal Reserve Bank of Minneapolis, Ms. Sharon Glover, Golden Valley, Minnesota, Mr. Dante Rivera, St. Paul, Minnesota, Ms. Dorothy Bridges, President, Franklin Avenue Bank, Minneapolis, Minnesota, Mr. Paul Satriano, ACORN National Treasurer, MN ACORN State Board Director, St. Paul, Minnesota, Ms. Patricia Hanson, President, Community Development and Specialized Lending, Wells Fargo, Minneapolis, Minnesota, Ms. Sheri Pugh Sullivan, Executive Director, Northside Residents Resource Council, Minneapolis, Minnesota, Mr. Tim Marx, Commissioner, Minnesota Housing Finance Agency, St. Paul, Minnesota, Ms. Julie Gugin, Executive Director, Minnesota Home Ownership Center.

The Subcommittee on Housing and Community Opportunity held a hearing on April 17, 2007, entitled "Possible Responses to Rising Mortgage Foreclosures." The following witnesses testified: The Honorable Marcy Kaptur; The Honorable Michael R. Turner, The Honorable Sheila Bair, Chairman, Federal Deposit Insurance Corporation, The Honorable Brian Montgomery, Assistant Secretary for Housing, Department of Housing and Urban Development, Daniel Mudd, President and CEO, Fannie Mae, Richard F. Syron, Chairman & CEO, Freddie Mac, David Berenbaum, Executive Vice President, National Community Reinvestment Coalition, Janis Bowdler, Senior Policy Analyst, National Council of La Raza, The Honorable John H. Dalton, President, Housing Policy Council, The Financial Services Roundtable, Mr. George Miller, Executive Director, American Securitization Forum, also representing the Securities Industry and Financial Markets Association, Douglas A. Garver, Executive Director, Ohio Housing Finance Agency, Kenneth D. Wade, CEO, NeighborWorks America.

The Subcommittee on Financial Institutions and Consumer Credit held a hearing on March 27, 2007, entitled "Subprime and Predatory Mortgage Lending: New Regulatory Guidance, Current Market Conditions and Effects on Regulated Financial Institutions." The following witnesses testified: The Honorable Sheila Bair, Chairman, Federal Deposit Insurance Corporation, The Honorable John Reich, Director, Office of Thrift Supervision, The Honorable JoAnn Johnson, Chairman, National Credit Union Administration, Mr. E. Wayne Rushton, Senior Deputy Comptroller, Office of the Comptroller of the Currency, Ms. Sandra F. Braunstein, Director, Division of Consumer and Community Affairs, Federal Reserve Board, Mr. Steve Antonakes, Commissioner of Banks, Massachusetts Division of Banks, on behalf of Conference of State Banking Supervisors, Mr. Michael Calhoun, President, Center for Responsible Lending, Mr. John Taylor, President & CEO, National Community Reinvestment Coalition, Mr. Allen Fishbein, Director of Housing

and Credit Policy, Consumer Federation of America, Mr. John Robins, Chairman, Mortgage Bankers Association, Mr. Harry H. Dinham, CMC, President, National Association of Mortgage Brokers, Mr. Alex J. Pollock, Resident Fellow, American Enterprise Institute.

#### COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on April 24 and 30, 2008, and on May 1, 2008, ordered H.R. 5830, the “FHA Housing Stabilization and Homeownership Retention Act of 2008”, as amended, favorably reported by a record vote of 46 yeas and 21 nays.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A motion by Mr. Frank to report the bill, as amended, to the House with a favorable recommendation was agreed to by a record vote of 46 yeas and 21 nays (Record vote FC–110). The names of Members voting for and against follow:

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Ms. Pryce (OH)	X		
Ms. Waters	X			Mr. Castle	X		
Mrs. Maloney	X			Mr. King (NY)	X		
Mr. Gutierrez	X			Mr. Royce		X	
Ms. Velázquez	X			Mr. Lucas			
Mr. Watt	X			Mr. Paul		X	
Mr. Ackerman	X			Mr. LaTourette	X		
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones		X	
Mr. Moore (KS)	X			Mrs. Biggert			
Mr. Capuano	X			Mr. Shays	X		
Mr. Hinojosa				Mr. Miller (CA)	X		
Mr. Clay	X			Mrs. Capito	X		
Mrs. McCarthy	X			Mr. Feeney		X	
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)		X	
Mr. Miller (NC)	X			Ms. Brown-Waite	X		
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach	X		
Mr. Cleaver	X			Mr. Pearce		X	
Ms. Bean	X			Mr. Neugebauer		X	
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam		X	
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly	X			Mr. McCarthy		X	
Mr. Wexler	X			Mr. Heller	X		
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

The following amendments were disposed of by record votes. The names of Members voting for and against follow:

An amendment in the nature of a substitute by Mr. Bachus, Mrs. Biggert, and Mrs. Capito, no. 5, was NOT AGREED TO by a record vote of 23 yeas and 34 nays. (FC-91):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)			
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas			
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette			
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones			
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa				Mr. Miller (CA)		X	
Mr. Clay				Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney			
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite			
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)				Mr. Davis (KY)			
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell			
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant			
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson							

An amendment by Mr. Putnam, no. 9, regarding borrower bankruptcy history, was NOT AGREED TO by a record vote of 27 yeas and 32 nays (Record vote no. FC-92):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)			
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette			
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones			
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa				Mr. Miller (CA)	X		
Mr. Clay				Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney			
Mr. Baca		X		Mr. Hensarling	X		



Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite			
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)				Mr. Davis (KY)			
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell			
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter	X			Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson							

An amendment by Mr. Watt and Ms. Velázquez, no. 10, regarding legal assistance, was NOT AGREED TO by a record vote of 28 yeas and 34 nays (Record vote no. FC-93):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus		X	
Mr. Kanjorski	X			Ms. Pryce (OH)			
Ms. Waters	X			Mr. Castle		X	
Mrs. Maloney	X			Mr. King (NY)		X	
Mr. Gutierrez	X			Mr. Royce		X	
Ms. Velázquez	X			Mr. Lucas		X	
Mr. Watt	X			Mr. Paul		X	
Mr. Ackerman	X			Mr. LaTourette			
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones			
Mr. Moore (KS)		X		Mrs. Biggert		X	
Mr. Capuano	X			Mr. Shays		X	
Mr. Hinojosa	X			Mr. Miller (CA)		X	
Mr. Clay	X			Mrs. Capito		X	
Mrs. McCarthy	X			Mr. Feeney			
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)		X	
Mr. Miller (NC)	X			Ms. Brown-Waite			
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach		X	
Mr. Cleaver	X			Mr. Pearce		X	
Ms. Bean		X		Mr. Neugebauer		X	
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)				Mr. Davis (KY)			
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell			
Mr. Klein	X			Mr. Putnam		X	
Mr. Mahoney (FL)		X		Mrs. Bachmann		X	
Mr. Wilson		X		Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly		X		Mr. McCarthy		X	
Mr. Wexler	X			Mr. Heller		X	
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster	X						
Mr. Carson	X						

A motion to reconsider the vote on the amendment by Mr. Watt no. 10 was **AGREED TO** by a record vote of 36 yeas and 23 nays. (Record vote no. FC-94):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Ms. Pryce (OH)			
Ms. Waters	X			Mr. Castle		X	
Mrs. Maloney	X			Mr. King (NY)			
Mr. Gutierrez	X			Mr. Royce			
Ms. Velázquez	X			Mr. Lucas		X	
Mr. Watt	X			Mr. Paul			
Mr. Ackerman	X			Mr. LaTourette		X	
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones		X	
Mr. Moore (KS)	X			Mrs. Biggert		X	
Mr. Capuano	X			Mr. Shays			
Mr. Hinojosa	X			Mr. Miller (CA)			
Mr. Clay	X			Mrs. Capito		X	
Mrs. McCarthy	X			Mr. Feeney		X	
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)			
Mr. Miller (NC)	X			Ms. Brown-Waite			
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach		X	
Mr. Cleaver	X			Mr. Pearce		X	
Ms. Bean	X			Mr. Neugebauer		X	
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)	X			Mr. Davis (KY)			
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam			
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly	X			Mr. McCarthy		X	
Mr. Wexler	X			Mr. Heller		X	
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

An amendment by Mr. Perlmutter, no. 10a, regarding counseling intermediaries, to the amendment offered by Mr. Watt, no. 10, was **AGREED TO** by a record vote of 45 yeas and 22 nays (Record vote no. FC-95):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus	X		
Mr. Kanjorski	X			Ms. Pryce (OH)			
Ms. Waters	X			Mr. Castle	X		
Mrs. Maloney	X			Mr. King (NY)		X	
Mr. Gutierrez	X			Mr. Royce		X	
Ms. Velázquez	X			Mr. Lucas		X	
Mr. Watt	X			Mr. Paul		X	
Mr. Ackerman	X			Mr. LaTourette		X	
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones	X		
Mr. Moore (KS)	X			Mrs. Biggert	X		
Mr. Capuano	X			Mr. Shays	X		
Mr. Hinojosa	X			Mr. Miller (CA)		X	
Mr. Clay	X			Mrs. Capito		X	
Mrs. McCarthy	X			Mr. Feeney		X	
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)		X	

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Miller (NC)	X			Ms. Brown-Waite	X		
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach	X		
Mr. Cleaver	X			Mr. Pearce	X		
Ms. Bean	X			Mr. Neugebauer	X		
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam	X		
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly	X			Mr. McCarthy		X	
Mr. Wexler				Mr. Heller		X	
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

An amendment by Mr. Price, no. 10b, limiting funds for purposes of civil litigation, to the amendment offered by Mr. Watt, no. 10, was NOT AGREED TO by a record vote of 33 yeas and 36 nays (Record vote no. FC-96):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Price (GA), no. 11a, regarding veterans counseling, to the amendment offered by Mr. Frank, no. 11, as a substitute for the amendment offered by Mr. Watt, no. 10, was NOT AGREED TO by a record vote of 33 yeas and 36 nays (Record vote no. FC-97):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment offered by Mr. Frank, no. 11, regarding legal assistance and veterans counseling, as a substitute for the amendment offered by Mr. Watt, no. 10, was AGREED TO by a record vote of 69 yeas and 0 nays (Record vote no. FC-98):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus	X		
Mr. Kanjorski	X			Ms. Pryce (OH)	X		
Ms. Waters	X			Mr. Castle	X		
Mrs. Maloney	X			Mr. King (NY)	X		
Mr. Gutierrez	X			Mr. Royce	X		
Ms. Velázquez	X			Mr. Lucas	X		
Mr. Watt	X			Mr. Paul	X		
Mr. Ackerman	X			Mr. LaTourette	X		
Mr. Sherman	X			Mr. Manzullo	X		
Mr. Meeks	X			Mr. Jones	X		
Mr. Moore (KS)	X			Mrs. Biggert	X		
Mr. Capuano	X			Mr. Shays	X		
Mr. Hinojosa	X			Mr. Miller (CA)	X		
Mr. Clay	X			Mrs. Capito	X		

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mrs. McCarthy	X			Mr. Feeney	X		
Mr. Baca	X			Mr. Hensarling	X		
Mr. Lynch	X			Mr. Garrett (NJ)	X		
Mr. Miller (NC)	X			Ms. Brown-Waite	X		
Mr. Scott	X			Mr. Barrett (SC)	X		
Mr. Green	X			Mr. Gerlach	X		
Mr. Cleaver	X			Mr. Pearce	X		
Ms. Bean	X			Mr. Neugebauer	X		
Ms. Moore (WI)	X			Mr. Price (GA)	X		
Mr. Davis (TN)	X			Mr. Davis (KY)	X		
Mr. Hodes	X			Mr. McHenry	X		
Mr. Ellison	X			Mr. Campbell	X		
Mr. Klein	X			Mr. Putnam	X		
Mr. Mahoney (FL)	X			Mrs. Bachmann	X		
Mr. Wilson	X			Mr. Roskam	X		
Mr. Perlmutter	X			Mr. Marchant	X		
Mr. Murphy	X			Mr. McCotter	X		
Mr. Donnelly	X			Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

An amendment by Mr. Manzullo, no. 18, striking the treatment of multiple mortgage liens was NOT AGREED TO by a record vote of 33 yeas and 36 nays (Record vote no. FC-99):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Marshall, no. 21, regarding flexible underwriting standards, was **AGREED TO** by a record vote of 36 yeas and 32 nays (Record vote no. FC-100):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Ms. Pryce (OH)		X	
Ms. Waters	X			Mr. Castle		X	
Mrs. Maloney	X			Mr. King (NY)		X	
Mr. Gutierrez	X			Mr. Royce		X	
Ms. Velázquez	X			Mr. Lucas		X	
Mr. Watt	X			Mr. Paul		X	
Mr. Ackerman	X			Mr. LaTourette		X	
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones		X	
Mr. Moore (KS)	X			Mrs. Biggert		X	
Mr. Capuano	X			Mr. Shays		X	
Mr. Hinojosa	X			Mr. Miller (CA)		X	
Mr. Clay	X			Mrs. Capito		X	
Mrs. McCarthy	X			Mr. Feeney		X	
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)		X	
Mr. Miller (NC)	X			Ms. Brown-Waite		X	
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach		X	
Mr. Cleaver	X			Mr. Pearce		X	
Ms. Bean	X			Mr. Neugebauer		X	
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam		X	
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly	X			Mr. McCarthy		X	
Mr. Wexler				Mr. Heller		X	
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

An amendment by Mrs. Biggert, no. 23, regarding FHA Secure was **NOT AGREED TO** by a record vote of 31 yeas and 38 nays (Record vote no. FC-101):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays		X	
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite		X	

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Davis (KY), no. 24, regarding sunset, was NOT AGREED TO by a record vote of 33 yeas and 36 nays. (Record vote no. FC-102):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Garrett (NJ), no. 25, reducing the mortgagor's equity stake, was NOT AGREED TO by a record vote of 30 yeas and 39 nays (Record vote no. FC-103):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)		X	
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette		X	
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito		X	
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Barrett (SC), no. 26, regarding denial of insurance based solely on credit scores or delinquency, was NOT AGREED TO by a record vote of 33 yeas and 36 nays (Record vote no. FC-104):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		



Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Neugebauer, no. 27, regarding subordination certificates, was NOT AGREED TO by a record vote of 22 yeas and 47 nays (Record vote no. FC-105):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)		X	
Ms. Waters		X		Mr. Castle		X	
Mrs. Maloney		X		Mr. King (NY)		X	
Mr. Gutierrez		X		Mr. Royce		X	
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette		X	
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays		X	
Mr. Hinojosa		X		Mr. Miller (CA)		X	
Mr. Clay		X		Mrs. Capito		X	
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite		X	
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach		X	
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter		X	
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mrs. Bachmann and Mr. McHenry, no. 28, regarding Oversight Board underwriting standards, was NOT

**AGREED TO** by a record vote of 33 yeas and 36 nays (Record vote no. FC-106):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler				Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

**An amendment by Mr. Roskam, no. 14, regarding eligibility of mortgages by adequacy of underwriting, as amended, was NOT AGREED TO** by a record vote of 28 yeas and 29 nays (Record vote no. FC-107):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski				Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez		X		Mr. Lucas			
Mr. Watt		X		Mr. Paul			
Mr. Ackerman		X		Mr. LaTourette	X		
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert			
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa				Mr. Miller (CA)	X		
Mr. Clay				Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca				Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver				Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)				Mr. Davis (KY)			
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy				Mr. McCotter	X		
Mr. Donnelly				Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Hensarling, no. 17, regarding maximum income, was NOT AGREED TO by a record vote of 28 yeas and 36 nays (Record vote no. FC-108):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski				Mr. Pryce (OH)	X		
Ms. Waters		x		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce		X	
Ms. Velázquez		X		Mr. Lucas			
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette		X	
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert			
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa				Mr. Miller (CA)		X	
Mr. Clay				Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney	X		
Mr. Baca				Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite	X		
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putman	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Price (GA), no. 27, requiring offsets, was NOT AGREED TO by a record vote of 29 yeas and 37 nays (Record vote no. FC-109):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski				Mr. Pryce (OH)	X		
Ms. Waters	X			Mr. Castle	X		
Mr. Maloney	X			Mr. King (NY)	X		
Mr. Gutierrez	X			Mr. Royce	X		
Ms. Velázquez	X			Mr. Lucas			
Mr. Watt	X			Mr. Paul	X		
Mr. Ackerman	X			Mr. LaTourette		X	
Mr. Sherman	X			Mr. Manzullo	X		
Mr. Meeks	X			Mr. Jones	X		
Mr. Moore (KS)	X			Mrs. Biggert			
Mr. Capuano	X			Mr. Shays		X	
Mr. Hinojosa				Mr. Miller	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy	X			Mr. Feeney	X		
Mr. Baca	X			Mr. Hensarling	X		
Mr. Lynch	X			Mr. Garrett (NJ)	X		
Mr. Miller (NC)	X			Ms. Brown-Waite	X		
Mr. Scott	X			Mr. Barrett (SC)	X		
Mr. Green	X			Mr. Gerlach	X		
Mr. Cleaver	X			Mr. Pearce	X		
Ms. Bean	X			Mr. Neugebauer	X		
Ms. Moore (WI)	X			Mr. Price (GA)	X		
Mr. Davis (TN)	X			Mr. Davis	X		
Mr. Hodes	X			Mr. McHenry	X		
Mr. Ellison	X			Mr. Campbell	X		
Mr. Klein	X			Mr. Putnam	X		
Mr. Mahoney (FL)	X			Mr. Bachmann	X		
Mr. Wilson	X			Mr. Roskam	X		
Mr. Perlmutter	X			Mr. Marchant	X		
Mr. Murphy	X			Mr. McCotter	X		
Mr. Donnelly	X			Mr. McCarthy	X		
Mr. Wexler	X			Mr. Heller	X		
Mr. Marshall	X						
Mr. Boren	X						
Mr. Foster	X						
Mr. Carson	X						

During the consideration of the bill, the following amendments were also considered:

An amendment by Mrs. Bean and Mr. McCarthy (CA), no. 1, regarding ineligibility for fraud conviction, was AGREED TO by voice vote.

An amendment by Mr. Frank, no. 2, regarding flexible underwriting criteria, was AGREED TO by voice vote.

An amendment by Ms. Bean, no. 3, regarding exit premium modifications, was AGREED TO by voice vote.

An amendment by Mr. Moore (KS) and Mr. Shays, no. 4, regarding verification of income of mortgagor, was AGREED TO by voice vote.

An amendment by Mrs. Biggert and Mr. LaTourette, no. 6, regarding housing counseling, was AGREED TO by voice vote.

An amendment by Mrs. Capito, no. 7, regarding a temporary increase in maximum loan guaranty amount for certain housing loans, was AGREED TO by voice vote.

An amendment by Mr. Mahoney, no. 8, regarding counseling priority, was AGREED TO by voice vote.

An amendment by Mrs. Capito, no. 7, regarding a temporary increase in maximum loan guaranty amount for certain housing loans, was AGREED TO by voice vote.

An amendment by Mr. Mahoney, no. 8, regarding counseling priority, was AGREED TO by voice vote.

An amendment by Mr. Watt, Ms. Velázquez and Mr. Green, no. 10, regarding distribution of funds by the neighborhood Reinvestment Corporation, as amended by the substitute amendment offered by Mr. Frank, was AGREED TO by voice vote. An amendment offered by Mr. Price, no. 10c, to the amendment by Mr. Watt was AGREED TO agreed to by voice vote.

An amendment by Mr. Miller (CA), no. 11, relating to a study of possible accounting revisions relating to property at risk of foreclosure, was AGREED TO by voice vote.

An amendment by Mr. Carson, no. 12, regarding programs with history of outreach, was AGREED TO by voice vote.

An amendment by Mr. Neugebauer, no. 13, regarding Inspector general audit of loss mitigation counseling, was AGREED TO by voice vote.

An amendment by Mr. Hensarling, no. 14, regarding borrower certification, as amended by the amendment by Mr. Frank, no. 14a, was AGREED TO by voice vote.

A point of order that the amendment by Ms. Moore (WI), no. 15, regarding funding for emergency food and shelter, was not germane was SUSTAINED.

An amendment by Mr. Kanjorski and Mrs. Biggert, no. 16, regarding appraisal standards was AGREED TO by voice vote.

An amendment by Mr. Meeks, no. 18, regarding a General Accountability Office study of credit markets, was AGREED TO by voice vote.

An amendment by Mr. Miller (NC), no. 20, regarding mortgage servicer disclosure, was OFFERED AND WITHDRAWN.

An amendment by Mr. Hensarling, no. 21, regarding demonstrated ability for responsible homeownership, was NOT AGREED TO by voice vote.

An amendment by Mr. Baca and Mrs. McCarthy (NY), no. 23, regarding in person counseling outreach, was AGREED TO by voice vote.

An amendment by Mr. Garrett (NJ), no. 31, regarding shared risk, was NOT AGREED TO by voice vote.

An amendment by Mr. Neugebauer, no. 32, regarding debt to income ratio, was NOT AGREED TO by voice vote.

An amendment by Mr. McHenry, no. 34, regarding certification of only residence, was AGREED TO by voice vote.

An amendment by Mr. Price (GA), no. 35, striking legal counseling assistance, was OFFERED and WITHDRAWN.

An amendment by Mr. Price (GA), no. 36, regarding veterans counseling, was OFFERED and WITHDRAWN. An amendment by Mr. Frank, no. 37, to the amendment was thereby withdrawn.

An amendment by Mr. McHenry, no. 38 regarding disclosure, was AGREED TO by voice vote, as modified.

An amendment by Mr. Hensarling, no. 39 regarding the current borrower debt to income ratio, was AGREED TO by voice vote.

An amendment by Mrs. Biggert and Mr. LaTourette, no. 40, authorizing appropriations to combat mortgage fraud, was AGREED TO by voice vote.

#### COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

#### PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 5830 is intended to create a voluntary Federal Housing Administration (FHA) program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market. H.R. 5830 seeks to stem the rise in mortgage foreclosures by allowing FHA to insure and guarantee refinanced mortgages that have been significantly written down by mortgage holders and lenders. H.R. 5830 would permit FHA to provide up to \$300 billion in new guarantees to help refinance at-risk borrowers into viable mortgages. In exchange for the acceptance of a substantial write-down of principal, the existing lender or mortgage holder would receive a short payment from the proceeds of a new FHA loan if the restructured loan would result in terms that the borrower can reasonably be expected to pay. The existing lender or mortgage holder would have a cash payment and no further credit exposure to the borrower.

#### NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

#### COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

#### CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, May 2, 2008.*

Hon. BARNEY FRANK,  
*Chairman, Committee on Financial Services,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5830, the FHA Housing Stabilization and Homeownership Retention Act of 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Chad Chirico.

Sincerely,

ROBERT A. SUNSHINE  
(For Peter R. Orszag, Director).

Enclosure.

*H.R. 5830—FHA Housing Stabilization and Homeownership Retention Act of 2008*

Summary: CBO estimates that implementing this legislation would cost about \$2.7 billion over the 2008–2013 period, assuming future appropriation actions consistent with the bill. Of that amount, about \$1.7 billion would be needed for the estimated subsidy cost of insuring mortgages with a value of about \$85 billion in a proposed new Federal Housing Administration (FHA) mortgage guarantee program.

H.R. 5830 would authorize—for up to four years—a new mortgage guarantee program under FHA that would allow certain at-risk borrowers to refinance their mortgages after the mortgage holder (lender or servicer) agrees to a write-down of the existing loan (that is, a reduction in the amount of loan principal). This new program would be established and overseen by the Refinance Program Oversight Board (Oversight Board), also established under this legislation. The bill would authorize the appropriation of \$720 million over the 2008–2009 period for administrative support associated with this new program and to provide financial counseling services for certain borrowers.

In addition, the legislation would establish an Office of Housing Counseling within the Department of Housing and Urban Development (HUD) and authorize the appropriation of \$183 million over the 2008–2011 period for grants to states, local governments, and nonprofit organizations to support counseling services and a public service campaign to publicize financial counseling for home buyers, homeowners, and renters. H.R. 5830 also would authorize the appropriation of \$32 million over the 2008–2012 period for the Department of Justice (DOJ) to support efforts to combat mortgage fraud.

Finally, H.R. 5830 would increase by up to 75 percent the maximum guarantee that the Department of Veterans Affairs could provide to lenders who make loans to qualified veterans. Enacting that provision would reduce direct spending by \$1 million in 2008. (The bill would not affect revenues.)

H.R. 5830 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 5830 is shown in the following table. The costs of this legislation fall within budget functions 370 (mortgage and housing credit), 700 (veterans benefits and services), and 750 (administration of justice).

	By fiscal year, in millions of dollars—					
	2008	2009	2010	2011	2012	2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Homeownership Retention Loan Guarantee Program:						
Estimated Authorization Level .....	174	599	447	292	190	0
Estimated Outlays .....	157	556	462	307	201	19
FHA Administrative Support and Counseling Services:						
Authorization Level .....	360	360	0	0	0	0
Estimated Outlays .....	53	216	235	108	72	36
HUD Administrative Support for Office of Housing Counseling, Grants, and Public Service Campaign:						
Estimated Authorization Level .....	61	61	61	61	16	16
Estimated Outlays .....	11	52	61	61	56	23
Funding for the Department of Justice:						
Authorization Level .....	4	7	7	7	7	0
Estimated Outlays .....	3	7	7	7	7	1
Total Changes:						
Estimated Authorization Level .....	599	1,027	515	360	213	16
Estimated Outlays .....	224	831	765	483	336	79
CHANGES IN DIRECT SPENDING						
Temporary Increase in Loan Guarantee Amount for Veterans Housing Loans:						
Estimated Authorization Level .....	-1	*	0	0	0	0
Estimated Outlays .....	-1	*	0	0	0	0

Note: \* = between -\$500,000 and 0.

Basis of estimate: For this estimate, we assume that the bill will be enacted by June 1, 2008, that a supplemental appropriation will be provided during 2008 to operate the program, and that the new loan-guarantee program would operate for four years.

The bill's cost would stem mostly from the new FHA program and the authorized administrative support and loan counseling activities, subject to appropriation of the necessary funds. CBO estimates that the new loan guarantee program would cost \$1.7 billion over the 2008–2013 period, while the administrative support and counseling would cost \$720 million over that period. Other discretionary costs for implementing the bill would total about \$296 million over the 2008–2013 period. The Congress could choose to provide a larger or smaller share of the program's multiyear cost in a 2008 supplemental appropriation than CBO has displayed in this estimate.

CBO estimates that under the new FHA loan-guarantee program, FHA would insure about 500,000 loans over the 2008–2013 period with an estimated average subsidy cost of about 2 percent of the loan principal. Assuming an average loan amount of \$170,000 (after write-down of existing mortgages), we estimate that implementing H.R. 5830 would cost about \$1.7 billion over the 2008–2013 period to pay for the estimated subsidy cost of the new program.



*Features of the proposed Homeownership Retention Loan Guarantee Program*

The Oversight Board established by H.R. 5830 would include the Secretary of the Treasury, the Secretary of HUD, and the Chairman of the Board of Governors of the Federal Reserve System (Federal Reserve). It would establish operational procedures, including underwriting standards for mortgages, and it would oversee the new loan-guarantee program.

The proposed program would allow certain borrowers, who are at risk of defaulting on their mortgages, to refinance their home loans through a private lender with an FHA loan guarantee. To qualify for the program, the existing loans must be for an owner-occupied principal residence, have been originated on or before December 31, 2007, and meet other conditions specified in the bill.

Under the new program, the participating mortgage holder must agree to a loan refinancing arrangement that brings the loan-to-value (LTV) ratio on the new FHA-insured loan to no greater than 90 percent of the property's current appraised value. That change would result in a substantial reduction in the payment owed by the borrower each month. (The LTV ratio indicates how much equity a borrower initially has in the home—in this case, no less than 10 percent.) In addition to forgiving a portion on the debt of the existing loan, the mortgage holder would have to pay two fees: 3 percent of the original insured loan amount would be paid to FHA and not more than 2 percent of the original insured loan amount would be paid to cover origination costs and other closing costs for the new loan. In effect, the existing mortgage holder would take at least a 15 percent write-down on the value of the existing mortgage, and thus receive no more than 85 percent of the property's current value, after fees are taken into account.

In addition, the new loan would carry a fixed interest rate and be subject to the loan limits in place for FHA's single-family program at the time of the bill's enactment. This legislation also would require FHA to charge the borrower an annual fee of 1.5 percent of the remaining insured principal balance each year. Furthermore, the program would provide that, upon sale, refinancing, or other disposition of the residence, the borrower would pay to FHA the greater of a fee equal to 3 percent of the original insured loan amount or a declining percentage of any net proceeds realized, including any appreciation in the home's value. The percentage would start at 100 percent and reach 50 percent in the fourth year of the term of the new loan, and it would remain at that level for the duration of the loan.

The budgetary impact of the new loan program depends on how many loans would be refinanced under this voluntary program and the likelihood that borrowers would default on their refinanced mortgages.

*Demand for the Homeownership Retention Loan Guarantee Program*

Since the end of the unusual boom in homeownership and housing prices from 2003 to early 2006, delinquencies and foreclosures on mortgages have risen, particularly on subprime loans and alt-A loans. (Subprime loans are made to borrowers with low credit scores or other impairments to their credit histories. Alt-A loans

are loans often made on the basis of little or no documentation of the borrower's income and may include low-downpayment loans, loans that are not for owner's principal residence, interest-only loans, and loans whose balances rise over time.) Because economic activity has slowed and house prices continue to decline in many areas of the United States, CBO expects that delinquencies and foreclosures on mortgage loans will continue to rise in the near term; in places where house prices have declined a great deal, some borrowers whose loan amount exceeds the value of their home may have little incentive to remain current on their loans.<sup>1</sup>

Because use of the program is contingent on the voluntary participation of both lenders and borrowers, demand for this program to refinance qualifying mortgages under this legislation is uncertain. Furthermore, several factors would influence whether lenders and borrowers would perceive the new program as their best option.

Over the next four years, CBO estimates that about 500,000 borrowers would refinance troubled loans worth about \$85 billion under this new program. The basis for this estimate of program volume is described below.

**Number of Foreclosure Proceedings.** Based on information from the Federal Reserve and mortgage industry data, CBO estimates that there are about 11 million subprime and alt-A mortgages outstanding, with a face value of over \$2 trillion. Of those 11 million loans, we estimate that about 9 million are for owner-occupied houses.

CBO estimates that about 2.8 million borrowers with those loans will have foreclosure proceedings initiated against them at some point over the next four years. That estimate is tied to the historic performance of alt-A and sub-prime mortgage loans but adjusted for current macroeconomic conditions. Roughly 10–15 percent of those loans would enter foreclosure proceedings under more favorable conditions. However, given CBO's projections of house prices, interest rates, employment, and other factors, this rate was increased to about 30 percent.

While many of those 2.8 million loans that are estimated to enter the foreclosure process could be eligible for an FHA guarantee of a refinanced loan under this legislation, most would not be refinanced under the proposed program for several reasons.

**Second Lien Holders.** According to most mortgage industry participants that CBO consulted, the biggest impediment to the use of the proposed program is that participation is conditioned on the release of all existing liens on the loan. Second liens are very common for subprime and alt-A financing; based on information from loan servicers, CBO estimates that 40 percent of such loans carry second liens. Because first and second lien holders may have conflicting financial incentives, the opportunities for joint consent can be limited. That is, second lien holders may prefer to retain their existing loans with the expectation that borrowers' repayments will be greater in the future. In those instances, modifying the first mortgage outside of the proposed program may be more consistent with the second lien holder's interests. The intersection of willing

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<sup>1</sup>For additional details on the state of the nation's housing market, see: Congressional Budget Office, *Policy Options for the Housing and Financial Markets*, CBO Paper (April 2008).

first lien holders and willing second lien holders is more likely to occur when foreclosure is perceived by all parties to be truly imminent. Currently, about 40 percent of borrowers entering the foreclosure process actually lose their homes through a foreclosure sale.

This legislation would give the Oversight Board the authority to implement certain program features aimed at enticing second lien holders to voluntarily release their liens. One option would require the first lien holder to provide some amount of compensation to the second lien holder, based on a formula developed by the Oversight Board. What approach the Oversight Board would choose and ultimately how successful any approach would be is uncertain. Based on information from industry representatives, CBO estimates that about 25 percent of the loans with second liens could be refinanced under this new program. As home prices recover, however, second lien holders' incentive to retain their current position with the loans will increase. Accordingly, CBO estimates that in later years, about 20 percent of loans with second liens could be refinanced under the new program. Reducing the pool of potential participants because second liens would remain an impediment to program participation results in about 1.9 million loans that might be affected by the new program.

**Adjustment for Other Factors.** Many borrowers who would otherwise be eligible for this program would not participate because servicers will not be able to contact some borrowers and some borrowers will not be able to avoid foreclosure because they have experienced a significant event, such as job loss, illness, divorce, or death. Reducing the pool of potential participants for those factors leaves about 1.4 million borrowers that could seek the new loan guarantees.

**Participation by Mortgage Holders and Borrowers.** CBO adjusted this eligible population of about 1.4 million borrowers to reflect expected levels of participation by mortgage holders and borrowers. Typically, much less than 100 percent of those eligible actually participate in federal benefit programs. Moreover, many factors would influence participation in the new program, though ultimately, the intersection of interests of both the mortgage holders and borrowers would determine the amount of participation.

Mortgage holders will evaluate loans that are eligible for the new FHA program and determine if the program would provide a better return than modifying the loans on their own, despite the risk of default. They will also evaluate whether the present value of the proceeds stemming from a modified loan under the new program is greater than or less than the value of proceeds from a foreclosure sale. Expectations regarding trends in house prices will greatly affect such calculations. Because mortgage holders may use different models to project future house prices, CBO expects that the behavioral responses by mortgage holders to the new program will vary considerably.

Borrowers also would have to decide whether participating in the program is a favorable option. In particular, borrowers would have to evaluate the profit-sharing provisions under the program and determine if forgoing some future profits on their homes is an acceptable arrangement even if foreclosure on their existing loans is the only alternative. Furthermore, some of the riskier borrowers with higher ratios of debt-to-income would be required to make six time-

ly payments on the loan before being guaranteed by FHA; invariably, some of those borrowers would be disqualified from participating in the new program.

CBO estimates that fewer than 40 percent of the 1.4 million eligible loans would be refinanced under the new program. Following a reduction in the principal amount of those loans to make them affordable, CBO estimates that approximately 500,000 loans would be guaranteed under this legislation with an average loan amount of \$170,000 each. Thus, CBO estimates that FHA would require about \$85 billion in loan commitment authority over the next four years to implement the program. The legislation would authorize FHA to provide up to \$300 billion in loan guarantees under the new program.

#### *Subsidy cost of the new FHA Loan Guarantee Program*

Budgeting procedures for federal credit programs require that funds must be appropriated in advance to cover the estimated subsidy cost of loan guarantees on a present-value basis. CBO estimates that the new program would have a subsidy rate of about 2 percent of the loan value. This estimated subsidy rate assumes that the cumulative claims rate (default) for the program would be about 35 percent and that recoveries on defaulted mortgages would be about 60 percent of the outstanding loan amount. Those rates reflect CBO's view that mortgage holders would have an incentive to direct their highest-risk loans to the program, and are based on the expectation that the underwriting standards established for the new program would be less restrictive than those currently in place for FHA's single-family loan-guarantee program, thereby allowing FHA to insure loans with a greater risk of default. More-restrictive underwriting standards would lower the subsidy cost of the program but at the expense of lowering the number of borrowers able to participate.

Using an estimated subsidy rate of 2 percent and our estimate that demand for loan guarantees would equal \$85 billion over the next four years, CBO estimates that implementing the new loan-guarantee program would cost \$1.7 billion over the 2008–2013 period, subject to appropriation of the necessary amounts.

The Government National Mortgage Association (GNMA) is responsible for guaranteeing securities backed by pools of mortgages insured by the federal government. In exchange for a fee charged to lenders or issuers of the securities, GNMA guarantees the timely payments of scheduled principal and interest due on the pooled mortgages that back those securities. Enacting this legislation would require GNMA to guarantee securities backed by pools of the homeownership retention loans in an amount not to exceed \$300 billion. CBO estimates that most of new federal loan guarantees made under this legislation would be included in GNMA's Mortgage-Backed Securities (MBS) program. CBO estimates that the subsidy rate for those securities would be close to zero. Thus, we estimate that implementing the MBS program under this legislation would result in a cost or savings of less than \$500,000 a year over the 2008–2013 period, assuming enactment of appropriation laws necessary to implement the program.

*Administrative support for the Homeownership Retention Program and funding for counseling activities*

H.R. 5830 would specifically authorize the appropriation of \$720 million over the 2008–2009 period to pay FHA’s administrative expenses associated with implementing the new loan-guarantee program and to support counseling and legal aid for certain borrowers. CBO estimates that outlays would total \$720 million over the 2008–2013 period.

*Public Service Campaign, grants for Housing Counseling, and administrative support for the Office of Counseling*

This legislation would establish the Office of Housing Counseling within HUD to support various activities relating to homeownership and rental housing counseling. Section 203 would authorize the appropriation of \$3 million over the 2008–2010 period to support a national campaign to publicize the existence of counseling services for home buyers, homeowners, and renters. In addition, section 204 would authorize the appropriation of \$45 million annually over the 2008–2011 period to provide grants to states, local governments, and nonprofit organizations to support counseling services. Based on information from HUD, CBO expects that funds for additional personnel, contractors, and information technology would be required to run the Office of Housing Counseling. CBO estimates that such support would cost \$81 million over the 2008–2013 period. In total, CBO estimates that implementing those provisions would cost \$264 million over the 2008–2013 period, assuming appropriation of the necessary amounts.

*Funding for the Department of Justice*

This legislation would specifically authorize the appropriation of \$32 million over the 2008–2012 period for DOJ to support efforts to combat mortgage fraud. Most of this funding would be used to hire additional agents of the Federal Bureau of Investigation and additional prosecutors within the Offices of the United States Attorneys. Assuming that appropriations would be almost spread evenly over fiscal years 2008 through 2012, CBO estimates that enacting those provisions would cost \$32 million over the 2008–2013 period.

*Temporary Increase in Loan Guarantee Amount for Veterans Housing Loans*

Section 104 would increase by up to 75 percent the maximum guarantee that VA could provide to lenders who make housing loans to qualified veterans. CBO estimates that the authority, which expires on December 31, 2008, would result in a small increase in the number of loans guaranteed by VA. Receipts from fees that the department charges for most of the loans it guarantees exceed its outlays for guarantee payments on defaulting loans. Therefore, the estimated subsidy cost is negative (–0.37 percent) and the additional loans that would be guaranteed under this authority would increase net receipts—by about \$1 million in 2008 and less than \$500,000 in 2009—CBO estimates.

*Revenues*

Section 102 of the bill would establish civil penalties (which are recorded in the budget as revenues) for certain violations related to real estate appraisals by interested parties in connection to the new loan guarantee program. CBO estimates that any increase in revenues resulting from those civil penalties would not be significant.

Sections 103 and 105 of the bill would require the Federal Reserve to conduct a study on the need for an auction or bulk refinancing mechanism to facilitate the refinancing of existing residential mortgages that are at risk of foreclosure and a study on the accounting standards applicable to depository institutions with respect to their residential mortgages that are at risk of foreclosure. Based on information from the Federal Reserve, CBO expects those studies would have no significant effect on the agency's workload or budget.

Intergovernmental and private-sector impact: H.R. 5830 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, and tribal governments by authorizing grants to support housing programs.

Estimate prepared by: Federal costs: Chad Chirico, Susanne S. Mehlman, Mark Hadley, Damien Moore, and David Newman; Impact on state, local, and tribal governments: Elizabeth Cove; Impact on the private sector: Jacob Kuipers.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

## FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## EARMARK IDENTIFICATION

H.R. 5830 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Short title and table of contents*

This section establishes the short title of the bill, the “FHA Housing Stabilization and Homeownership Retention Act of 2008” (Act) and sets forth the table of contents.

## TITLE I—HOMEOWNERSHIP RETENTION

*Section 101. Purposes*

This section provides the purposes of this title.

*Section 102. Insurance of Homeownership Retention Mortgages*

(a) Mortgage Insurance Program. This subsection amends Title II of the National Housing Act (NHA) by adding a new section 257. A specific description of section 257 is set forth below.

*NHA Section 257(a). Oversight Board*

This subsection establishes the Refinance Program Oversight Board (Oversight Board), which will consist of the Secretary of the Treasury, the Secretary of HUD (Secretary), and the Chairman of the Board of Governors of the Federal Reserve System, and be responsible for establishing program and oversight requirements for the program. The Oversight Board may utilize the personnel, services, and facilities of Federal agencies with their consent and with or without reimbursing such agencies.

*NHA Section 257(b). Authority*

The Secretary will, subject to certain specified limitations, make commitments to insure and insure mortgages for the purpose of paying or prepaying outstanding obligations under existing mortgage(s) if the mortgage being insured meets the requirements set forth in this section, as established by the Oversight Board, and the requirements of section 203, except as modified by this section. The Oversight Board will establish program requirements and standards and the Secretary will implement such requirements and standards, which may be established or implemented through interim guidance and mortgage letters.

*NHA Section 257(c). Requirements*

To be eligible for insurance under this section, a mortgage must meet all of the following requirements:

(1) **Owner-Occupied Principal Residence Requirement.** The residence securing the mortgage under this section will be occupied by the borrower as the principal residence, and the borrower will provide a certification to the originator of the mortgage that such residence is the only residence in which the borrower has any present ownership interest.

(2) **Lack of Capacity to Pay Existing Mortgage or Mortgages.** Borrowers must certify that they did not intentionally default on exist-

ing mortgage(s) and did not knowingly or willfully and with actual knowledge furnished false information for obtaining the exiting mortgage(s). Borrowers must agree in writing to repay the FHA any direct financial benefit achieved from reduction of indebtedness on the existing mortgage(s) on the residence refinanced under the program derived from misrepresentations made in the required certification and documentation, subject to the discretion of the Oversight Board. Borrowers must have had a mortgage debt to income ratio greater than 35 percent as of March 1, 2008. This section may not be construed as affecting the responsibilities of any party to engage in any loan modification or other loss mitigation strategies to maximize value to investors as established by applicable contract. For example, the duty of a servicer to conduct a loan level review and make a determination that a borrower was eligible to be considered for refinancing before accepting a short sale remains unaffected by this Act.

(3) Eligibility of Mortgages by Date of Origination. The existing senior mortgage must have been originated on or before December 31, 2007.

(4) Maximum Loan-to-Value Ratio for New Loans. The mortgage being insured must have a principal obligation (including initial service charges, appraisal, inspection, and other fees approved by the Secretary and the premium set forth in subsection (e)(1)) not exceeding 90 percent of the current appraised value of the property.

(5) Required Waiver of Prepayment Penalties and Fees. All prepayment penalties and all fees and penalties related to default or delinquency on all existing mortgage(s) will be waived or forgiven.

(6) Required Loan Reduction.

(A) Reduction of Indebtedness under Existing Senior Mortgage. The amount of indebtedness on the existing mortgage(s) will have been substantially reduced by such percentage as the Oversight Board or Secretary may require. Such reduction will be at least sufficient to (i) provide for refinancing of existing mortgage(s) in an amount not greater than 90 percent of the current appraised value of the property, (ii) pay the full amount of the single premium to be collected pursuant to subsection (e)(1) (which will be equal to 3 percent of the amount of the original insured principal obligation of the mortgage insured under this section), and (iii) pay the full amount of the loan origination fee and any other closing costs, not to exceed 2 percent of the amount of the original insured principal obligation of the mortgage insured under this section.

(B) Extinguishment of Debt by Refinancing.

(i) Required Agreement. All existing holders of mortgage liens on the property involved will agree to accept the proceeds of the insured loan as payment in full of all indebtedness under all existing mortgage(s) and all encumbrances related to such mortgage(s) will be removed. The Oversight Board may take actions necessary or appropriate to facilitate coordination and agreement between the holders of existing senior mortgage and any existing subordinate mortgages.

(ii) Treatment of Multiple Mortgage Liens. In addition, the Oversight Board will adopt one of the following approaches for all mortgages or classes of mortgages as the Oversight Board may determine and may, from time to time, reconsider: (I) As a requirement



for participating in the program, all existing lien holders will agree to not provide any payment to subordinate lien holders other than such payment according to a formula established by the Oversight Board, except the Oversight Board may establish a short period within which first and subordinate lien holders may negotiate to extinguish all subordinate liens for an amount different from that established by such formula; (II) The Oversight Board may require the borrower to agree to share a portion of any future equity in the mortgaged property with holders of existing subordinate mortgages in accordance with a formula for such shared equity established by the Oversight Board, except payments of such shared equity may be made only after the Secretary recovers all amounts owed to the Secretary with respect to such mortgage under the program.

(iii) Formula. In determining and in any reconsideration of a formula for any payments to subordinate lien holders pursuant to clause (ii) above, the Oversight Board will take into consideration the current market value of such liens. In no case may a formula provide for the payment of more than 1 percent of the current appraised value of the mortgaged property to a subordinate lien holder if the outstanding balance owed to more senior lien holders is equal to or exceeds such current appraised value.

(iv) Voluntary Program. This clause clarifies that participation in the program is voluntary.

(v) Source of Payments for Subordinate Loans. Any amounts paid to holders of any existing subordinate mortgages in connection with the origination and insurance of a mortgage under this section will derive only from the holder of the existing senior mortgage or, in case only of the shared equity approach under clause (ii)(II) above, the borrower.

(7) Required Reduction of Debt Service. The debt service payments under the new mortgage will be in an amount substantially reduced from those under the existing mortgage(s).

(8) Financial Recovery to Federal Government Through Exit Premium.

(A) Subordinate Lien. The mortgage will provide that the Secretary will retain a second lien on the property to secure the repayment of the amount due under subparagraph (D) below.

(B) No Interest or Payment during Mortgage. Such second lien will not bear interest and will not be repayable to the Secretary except as provided in subparagraph (D) below.

(C) Net Proceeds Available for Exit Premium. Upon the sale, refinancing, or other disposition of the residence covered by a mortgage insured under this section, any proceeds that remain after deducting the remaining insured principal balance of the mortgage will be available to meet the obligation under subparagraph (D) below.

(D) Exit Premium. Upon any refinancing of the mortgage insured under this section or any sale or disposition of the residence covered by the mortgage, the Secretary will, subject to availability of sufficient net proceeds, receive the greater of (i) 3 percent of the amount of the original insured principal obligation of the mortgage, or (ii) a declining percentage of the net proceeds described in subparagraph (C) above, from 100 percent in year one to 50 percent in year four and thereafter, except that such percentage of proceeds

will be reduced by all fees the Secretary has collected prior to such refinancing, sale or disposition.

(E) Authority to Prohibit New Second Liens. The Oversight Board will prohibit borrowers from granting a new second lien on the mortgaged property during the first five years of the term of the new mortgage except as the Oversight Board determines necessary to ensure the appropriate maintenance of the mortgaged property.

(9) Documentation and Verification of Income. In complying with the FHA underwriting requirements under the program, the FHA lender will document and verify the income of the borrower by procuring the two most recent IRS tax returns of the borrower in accordance with procedures and standards established by the Oversight Board or the Secretary.

(10) Fixed Rate Mortgage. The mortgage insured under this section will bear interest at a single fixed rate for the entire term of the mortgage.

(11) Maximum Loan Amount. The mortgage being insured under this section will involve a principal obligation in an amount that does not exceed the limitation that would be allowable under the terms of the Economic Stimulus Act of 2008. Such limitation will apply for the purposes of this Act until the termination of the program under subsection (n).

(12) Ineligibility for Fraud Conviction. The borrower cannot have been convicted under Federal or State law for mortgage fraud during the 7 years prior to obtaining the new FHA loan.

(13) Lender Review. The lender will conduct an electronic database search of the borrower's criminal history to determine if the borrower has had a conviction for fraud under paragraph (12), and may charge the borrower a reasonable fee not to exceed a maximum established by the Oversight Board. The Oversight Board will establish a procedure for the borrower to challenge the lender's determination.

(14) Appraisals. Any appraisal conducted in connection with a mortgage insured under the program will be based on the current value of the property, conducted in accordance with specified title of the Financial Institutions Reform, Recovery, and Enforcement Act, completed by an appraiser who meets the competency requirements of the Uniform Standards of Professional Appraisal Practice, wholly consistent with FHA appraisal standards, practices, and procedures, and will comply with the appraisal independence requirements of subsection (g).

(15) Statement of Loan Terms. The borrower will have been provided a one-page disclosure form regarding the new FHA loan by the lender no later than three days after application for the mortgage. When completed by the lender, the form will set forth, in accordance with requirements that the Secretary will establish, a best possible estimate of the enumerated loan terms as specified in this paragraph.

*NHA Section 257(d). Flexible underwriting criteria*

The Oversight Board will establish, and the Secretary acting on behalf of the Oversight Board will implement, underwriting standards for mortgages insured under this section that ensure that borrowers have a reasonable expectation of repaying the mortgage,

taking into consideration the borrower's income, assets, liabilities, payment history, and other applicable criteria but not resulting in a denial solely on the basis of the borrower's current FICO or other credit scores, any delinquency or default under the existing mortgage(s), or any case filed under title 11 of the U.S. Code by the borrower. Subject to such underwriting criteria, the Oversight Board will permit a total debt-to-income ratio of up to 43 percent. As an exception, subject to such underwriting criteria and any additional requirements the Oversight Board consider appropriate, the Oversight Board will permit a total debt-to-income ratio of more than 43 percent but not more than 50 percent if the borrower has made not less than six months of payments in an amount not less than the amount of the monthly payment due under the mortgage to be insured under this section. The holder of the existing senior mortgage will exercise forbearance with respect to such mortgage during the period in which such payments are made. In computing the borrower's total debt-to-income ratio for purposes of mortgage qualification under the underwriting standards established pursuant to this section, if the borrower is a debtor under chapter 13 of title 11, U.S. Code, payments on recurring debts other than housing expenses will be based on the amounts being paid on such debts under the borrower's confirmed plan under such chapter, and if the borrower is a debtor under chapter 7 of such title, recurring debts that are to be discharged will not be considered. The Oversight Board may alter the ratios for a particular class of borrowers subject to such requirements as the Oversight Board determines is necessary and appropriate to fulfill the purposes of this Act. The Oversight Board will require the underwriter of the insured loan to provide such representations and warranties as the Oversight Board considers necessary or appropriate for the Secretary to enforce compliance with all underwriting and appraisal standards of the program.

*NHA Section 257(e). Premiums*

The Oversight Board will establish and the Secretary will collect the following premiums: (1) a single premium payment at the time of insurance equal to 3 percent of the amount of the original insured principal obligation of the mortgage, which will be paid from the proceeds of the mortgage being insured under this section through the reduction of the amount of indebtedness on the existing senior mortgage required under subsection (c)(6)(A), (2) annual premium payments equal to 1.5 percent of the remaining insured principal balance of the mortgage, and (3) an exit premium determined under subsection (c)(8), but no less than 3 percent of the original insured principal obligation of the mortgage subject only to the availability of sufficient net proceeds.

*NHA Section 257(f). Origination fees and mortgage rate*

The Oversight Board will establish and the Secretary will implement a reasonable limitation on origination fees for mortgages insured under this section and will establish procedures to ensure interest rates commensurate with market rates.

*NHA Section 257(g). Appraisal independence*

No mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, or any other person with an interest in a real estate transaction involving an appraisal in connection with a mortgage insured under the program will improperly influence or attempt to improperly influence a real estate appraisal sought in connection with the mortgage. This will not be construed to prohibit such person from asking an appraiser to consider additional, appropriate property information, provide further detail for the appraiser's value conclusion, or correct errors in the appraisal report. The Secretary may impose a civil money penalty for any knowing and material violation.

*NHA Section 257(h). Limitation on aggregate insurance authority*

The aggregate original principal obligation of all mortgages insured under this section may not exceed \$300 billion.

*NHA Section 257(i). Enhancement of FHA capacity*

Under the direction of the Oversight Board, the Secretary will take actions as may be necessary to (1) contract for establishment of underwriting criteria and other factors relating to eligibility for mortgages insured under this section, (2) contract for independent quality reviews of underwriting, including appraisal reviews and fraud detection, of mortgages insured under this section or pools of such mortgages, and (3) increase personnel of HUD as necessary to process or monitor the processing of mortgages insured under this section.

*NHA Section 257(j). Monitoring of underwriting risk*

(1) Monitoring of Designated Underwriters. The Oversight Board and the Secretary will monitor independent quality reviews as established under subsection (i)(2) to:

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

(B) determine rates of delinquency, claims rates, and loss rates of designated underwriters; and

(C) terminate eligibility of designated underwriters that do not meet minimum performance standards as the Oversight Board may establish and the Secretary implements.

(2) Reports by Oversight Board. The Oversight Board will submit monthly reports to the Congress identifying the progress of the program, which will contain the following:

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

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

(C) The average amount by which the indebtedness on existing mortgages is reduced in accordance with subsection (c)(6).

(D) The average amount by which the debt service payments on existing mortgages is reduced in accordance with subsection (c)(7).

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

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

(G) The race, ethnicity, gender, and income of the mortgagors, aggregated by geographical areas at least as specific as census tracts, except where necessary to protect privacy of the borrower.

(H) Any other information that the Oversight Board considers appropriate.

(3) Report by Inspector General. The Inspector General of HUD will conduct an annual audit of the program to determine compliance with this section and program rules.

*NHA Section 257(k). GNMA commitment authority*

The Secretary will take actions as may be necessary to ensure that securities based on and backed by a trust or pool composed of mortgages insured under this section are available to be guaranteed by the Government National Mortgage Association (GNMA) as to the timely payment of principal and interest. The GNMA may enter into new commitments to issue guarantees of securities based on or backed by mortgages insured under this section, not exceeding \$300 billion. This amount is in addition to any amount of authority to make new commitments to issue guarantees provided under any other provision of law.

*NHA Section 257(l). Special risk insurance fund*

The insurance of each mortgage under this section will be the obligation of the Special Risk Insurance Fund.

*NHA Section 257(m). Definitions*

This subsection establishes the definition of “existing mortgage,” “existing senior mortgage,” and “existing subordinate mortgage.”

*NHA Section 257(n). Sunset*

The authority of the Secretary to make any new commitment to insure any mortgage under this section will terminate 2 years after the date of the enactment of this Act. The Oversight Board may extend such authority not more than four times, except that each extension will be no more than six months and be effective only if the Oversight Board certifies the need for such extension in writing to the Congress and causes notice of such extension to be published in the Federal Register at least three months before the termination of the program.

*NHA Section 257(o). Authorization of appropriations*

(1) For fiscal years 2008 and 2009, this subsection provides \$210 million for loss mitigation counseling for homeowners with grants to be administered through the Neighborhood Reinvestment Corporation (NRC), and requires NRC to give priority consideration for this funding to counseling entities that have a plan in place for making contact with or providing in-person counseling to defaulted borrowers. In addition, not less than 2 percent of the funds are to be used for identifying and notifying borrowers who are eligible for the counseling program. Preference will also be given to counseling programs with proven history of outreach within minority communities. Given the diversity of persons needing loss mitigation coun-

seling, the Committee recognizes the importance in certain communities of providing such counseling in relevant languages.

In addition, this subsection provides that not less than 15 percent of the \$210 million made available for loss mitigation counseling will be provided to counseling organizations that target minority and low-income homeowners or provide services in neighborhoods with high concentrations of such homeowners. This subsection also provides that some amount of the \$210 million made available for loss mitigation counseling be used for such counseling for veterans recently returning from active duty in the armed forces.

The subsection further provides that \$35 million of the \$210 million of funds made available for loss mitigation counseling are to be used by the NRC to make grants to State and local legal organizations or attorneys with experience in home foreclosure or eviction law to provide legal assistance related to home ownership and foreclosure prevention; or to HUD-approved counseling intermediaries for the purpose of making such grants or contracting for such legal assistance. Of the \$35 million, at least 60 percent will be allocated for legal assistance to low-income homeowners or tenants. The subsection provides that attorneys who receive these grants shall be capable of assisting homeowners in owner-occupied homes or tenants who live in homes with mortgages in default or subject to or at risk of foreclosure or eviction and who have legal issues that cannot be handled by counselors employed by NRC intermediaries. The NRC will give priority to State and local legal organizations and attorneys that provide legal assistance in the 100 metropolitan statistical areas with the highest foreclosure rates and that have the capacity to begin using the financial assistance within 90 days of receipt. The subsection also requires grantees to submit certain information to the NRC.

(2) \$150 million for FHA enhancement under subsection (i).

*NHA Section 257(p). Audit and report by Inspector General*

The Inspector General of HUD will conduct an audit of the program for loss mitigation counseling funded with amounts made available under subsection (o)(1) to determine compliance with such subsection. Not later than March 30, 2009, and every calendar quarter thereafter, the Inspector General will submit a report to the appropriate committees of Congress summarizing the activities of the Inspector General and the NRC and including such details as specified.

(b) Special Risk Insurance Fund. This subsection amends section 238 of the NHA to include cross-references to the new section 257 created by this Act.

*Section 103. Study of auction or bulk refinance program*

The Board of Governors of the Federal Reserve System (Board of Governors), in consultation with other members of the Oversight Board, will conduct a study of the need for and efficacy of an auction or bulk refinancing mechanism to facilitate refinancing of existing residential mortgages that are at risk for foreclosure into FHA-insured mortgages. The study will analyze certain factors as set forth in this section. The Board of Governors will submit a re-

port regarding the results of the study to the Congress no later than 60 days after the date of the enactment of this Act.

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

Certain housing loans guaranteed by Secretary of Veterans Affairs that are originated between the date of enactment of this Act and December 31, 2008 will have a maximum guaranty amount that is equal to 25 percent of the higher of (1) the limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for the calendar year in which the loan is originated for a single-family residence or (2) 125 percent of the area median price for a single-family residence, but in no case to exceed 175 percent of such limitation set forth in (1).

*Section 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*

The Board of Governors will conduct a study on mark-to-market accounting standards applicable to depository institutions with respect to their residential mortgages that are at risk of foreclosure, the effects of such accounting standards and capital requirements on capacity to provide refinancing to at-risk borrowers during periods of market value declines and increased foreclosures, and the feasibility of modifications of such standards during periods of market fluctuation. The Board of Governors will submit a report with respect to the study to Congress no later than 90 days after the enactment of this Act.

*Section 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*

The GAO will conduct a study to analyze the effects of tightening credit markets on prospective first-time home buyers in communities most detrimentally affected by subprime mortgage foreclosure crisis and predatory mortgage lending. The study will also analyze the adequacy of financial literacy outreach efforts by Federal agencies and whether funding levels are sufficient. A report of the study will be submitted to Congress no later than six months after the enactment of this Act.

TITLE II—OFFICE OF HOUSING COUNSELING

This title amends the Department of Housing and Urban Development Act to establish within HUD an Office of Housing Counseling that will conduct activities relating to homeownership and rental housing counseling.

*Section 201. Short title*

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

*Section 202. Establishment of Office of Housing Counseling*

This section establishes the Office of Housing Counseling under the Office of the Secretary, headed by a Director of Housing Counseling (Director) appointed by the Secretary. The Director will be responsible for all homeownership and rental housing counseling programs for HUD, and will establish, coordinate and administer all regulations, requirements, standards, and performance measures under the programs that relate to housing counseling, homeownership counseling, mortgage-related counseling, and rental housing counseling. The Director will establish rules for (1) counseling procedures, (2) carrying out all other related functions, including establishing a toll-free number, (3) information booklets, (4) carrying out the certification of counseling service providers, (5) providing assistance in the provision of counseling services, (6) carrying out functions the Secretary deems appropriate with regard to unscrupulous lending practices in the home mortgage business, (7) support the advisory committee created under this section, (8) collaborate with community-based organizations, and (9) provide for building capacity to provide housing counseling services in areas that lack sufficient services. The Secretary will appoint an advisory committee composed of no more than 12 individuals representing all aspects of the mortgage and real estate industry, including consumers. Advisory committee members appointed by the Secretary will serve 3-year terms, except that initially, four will be appointed for 1-year terms and four will be appointed for 2-year terms. The Secretary may reappoint members at his discretion. Members will not be paid, but may receive travel expenses. The advisory committee has no role in reviewing or awarding housing counseling grants. Counseling services will cover the entire process of homeownership, including refinancing and foreclosure.

*Section 203. Counseling procedures*

This section directs the Secretary to establish, coordinate, and monitor all HUD counseling procedures, including requirements, standards, and performance measures that relate to homeownership and rental housing. "Homeownership counseling" is defined as counseling related to homeownership and residential mortgage loans. "Rental housing counseling" is defined as counseling related to rental of residential property, which may include counseling regarding future homeownership opportunities and providing referral for renters and prospective renters to entities providing counseling. The Secretary, in conjunction with the advisory committee, will establish standards for materials and forms used by counseling service providers. The Secretary will provide for the certification of various computer software programs for consumers to use in evaluating different residential mortgage loan proposals. The mortgage software system will take into account (1) the consumer's financial situation and the cost of maintaining a home, including insurance, taxes, and utilities, (2) the amount of time the consumer expects to remain in the home or expected time to maturity of the loan, and (3) any other factors to assist the consumer in making choices during the loan application process. The certified software programs will be used to supplement, not replace, housing counseling, and the software programs initially will be used only in connection with the assistance of certified housing counselors. The Director



will develop, implement, and conduct national public service multimedia campaigns to make potentially vulnerable consumers aware of the existence of homeownership counseling. Appropriations not to exceed \$3 million are authorized for national public service multimedia campaigns for fiscal years 2008, 2009, and 2010. The Secretary will provide advice and technical assistance to States, units of local government, and non-profit organizations regarding provisions of counseling services.

*Section 204. Grants for housing counseling assistance*

This section directs the Secretary to make financial assistance available to States, units of local government, and non-profit organizations providing homeownership or rental counseling. The Secretary will establish standards and guidelines for assistance eligibility. Appropriations of \$45 million are authorized for each of fiscal years 2008 through 2011 for the operations of the Office of Housing Counseling; homeownership and rental counseling assistance grants; and the establishment of materials and forms standards, computer software certification, and the national public service multimedia campaigns created by this title.

*Section 205. Requirements to use HUD-certified counselors under HUD programs*

This section requires any homeownership counseling or rental housing counseling administered by HUD to be provided solely by organizations or counselors certified by the Secretary. The Secretary will take appropriate actions to ensure that individuals and organizations providing homeownership or rental housing counseling are aware of the certification requirements and standards.

*Section 206. Study of defaults and foreclosures*

This section directs the Secretary to submit to Congress not later than 12 months after the enactment of this Act a preliminary report on the root causes of default and foreclosure of home loans and the role of escrow accounts in helping prime and nonprime borrowers to avoid defaults and foreclosures. No later than 24 months after the enactment of this Act, the Secretary will submit a final report regarding the results of the study, which will include any recommended legislation relating to the study and recommendations for best practices and for a process to identify populations that need counseling the most.

*Section 207. Definitions for counseling-related programs*

This section provides definitions of “nonprofit organization,” “State,” and “unit of general local government.”

*Section 208. Updating and simplification of mortgage information booklet*

This section directs the Secretary to prepare a booklet at least once every 5 years to help consumers applying for Federally related mortgage loans to understand the nature and costs of real estate settlement services. The Secretary must include specific topics in the information booklet in plain and understandable language, including explanation of (1) costs incident to real estate settlement or Federally related mortgage loan (including at a minimum bal-

loon payments, prepayment penalties, and trade-off between closing costs and the interest rate over the life of the loan); (2) the uniform settlement statement; (3) unfair lending practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement; (4) questions that the consumer should ask about a loan; (5) the right of rescission; (6) variable rate mortgages; (7) home equity line of credit; (8) the availability and the value of homeownership counseling services; (9) escrow accounts; (10) available choices for providers of incidental services; (11) the buyer's responsibilities, liabilities, and obligations; (12) appraisals; and (13) HUD brochure regarding loan fraud.

#### TITLE III—COMBATING MORTGAGE FRAUD

##### *Section 301. Authorization of appropriations to combat mortgage fraud*

This section provides that for fiscal years 2008, 2009, 2010, 2011, and 2012, there are authorized to be appropriated to the Attorney General a total of (1) \$31,250,000 to support the employment of 30 additional FBI agents and 2 additional dedicated prosecutors at the Department of Justice to coordinate prosecution of mortgage fraud efforts with the offices of the United States Attorneys, and (2) \$750,000 to support the operations of interagency task forces of the FBI in the areas with the 15 highest concentrations of mortgage fraud.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### NATIONAL HOUSING ACT

\* \* \* \* \*

#### TITLE II—MORTGAGE INSURANCE

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#### PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

SEC. 238. (a)(1) Any mortgagee under a mortgage insured under section 235(i), 235(j)(4), 237, ~~or 243~~ 243, or 257 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j)(4), 237, ~~or 243~~ 243, or 257, except that all references therein to the "Mutual Mortgage Insurance Fund" shall be construed to refer to the "Special Risk Insurance Fund", and all references therein to section 203 shall be construed to refer to section 235(i), 235(j)(4), 237, ~~or 243~~ 243, or 257, as may be appropriate.

\* \* \* \* \*

(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the "fund") which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a)(2), 235, 236, 237, [and 243] 243, and 257, and the Secretary is hereby authorized to advance to the fund, at such times and in such amounts as he may determine to be necessary, a total sum of \$20,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a)(2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a)(2), 235, 236, 237, [and 243] 243, and 257 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or obligations of, or in bonds or other obligations guaranteed by, the United States or any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

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**SEC. 257. INSURANCE OF HOMEOWNERSHIP RETENTION MORTGAGES.**

(a) **OVERSIGHT BOARD.**—

(1) **ESTABLISHMENT.**—*There is hereby established the Refinance Program Oversight Board (in this section referred to as the "Oversight Board").*

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

(A) *The Secretary of the Treasury.*

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

(C) *The Chairman of the Board of Governors of the Federal Reserve System.*

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

(4) **RESPONSIBILITIES.**—*The Oversight Board shall be responsible for establishing program and oversight requirements for the program under this section, which shall include—*

- (A) detailed program requirements under subsection (c);
  - (B) flexible underwriting criteria under subsection (d);
  - (C) a mortgage premium structure under subsection (e);
  - (D) a reasonable fee and rate limitation under subsection (f);
  - (E) enhancement of FHA capacity under subsection (i), including oversight of such activities and personnel as may be contracted for as provided therein;
  - (F) monitoring of underwriting risk under subsection (j);
- and
- (G) such additional requirements as may be necessary and appropriate to oversee and implement the program.

(5) *USE OF RESOURCES.*—In carrying out its functions under this section, the Oversight Board may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Department of the Treasury, the Department of Housing and Urban Development, the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, and other Federal agencies, with or without reimbursement therefore.

(b) *AUTHORITY.*—

(1) *IN GENERAL.*—The Secretary shall, subject only to the absence of qualified requests for insurance under this section and to the limitations under subsection (h) of this section and section 531(a), make commitments to insure and insure any mortgage covering a 1- to 4-family residence that is made for the purpose of paying or prepaying outstanding obligations under an existing mortgage or mortgages on the residence if the mortgage being insured under this section meets the requirements of this section, as established by the Oversight Board, and of section 203, except as modified by this section.

(2) *ESTABLISHMENT AND IMPLEMENTATION OF PROGRAM REQUIREMENTS.*—The Oversight Board shall establish program requirements and standards under this section and the Secretary shall implement such requirements and standards. The Oversight Board and the Secretary may establish and implement any requirements or standards through interim guidance and mortgagee letters.

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

(1) *OWNER-OCCUPIED PRINCIPAL RESIDENCE REQUIREMENT.*—The residence to be covered by the mortgage insured under this section shall be occupied by the mortgagor as the principal residence of the mortgagor and the mortgagor shall provide a certification to the originator of the mortgage that such residence to be covered by the mortgage insured under this section is the only residence in which the mortgagor has any present ownership interest.

(2) *LACK OF CAPACITY TO PAY EXISTING MORTGAGE OR MORTGAGES.*—

(A) *BORROWER CERTIFICATION.*—

(i) The mortgagor shall provide a certification to the originator of the mortgage that the mortgagor—

(I) has not intentionally defaulted on the existing mortgage or mortgages; and

(II) has not knowingly, or willfully and with actual knowledge furnished material information known to be false for the purpose of obtaining the existing mortgage or mortgages.

(ii) The mortgagor shall agree in writing that the mortgagor shall be liable to repay the FHA any direct financial benefit achieved from the reduction of indebtedness on the existing mortgage or mortgages on the residence refinanced under this section derived from misrepresentations made in the certifications and documentation required under this subparagraph, subject to the discretion of the Oversight Board.

(B) *CURRENT BORROWER DEBT-TO-INCOME RATIO.*—As of March 1, 2008, the mortgagor shall have had a ratio of mortgage debt to income, taking into consideration all existing mortgages at such time, greater than 35 percent.

(C) *LOSS MITIGATION RESPONSIBILITIES.*—This section may not be construed to alter or in any way affect the responsibilities of any party (including the mortgage servicer) to engage in any or all loan modification or other loss mitigation strategies to maximize value to investors as established by any applicable contract.

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

(4) *MAXIMUM LOAN-TO-VALUE RATIO FOR NEW LOANS.*—The mortgage being insured under this section shall involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve and including the mortgage insurance premium paid pursuant to subsection (e)(1) in an amount not to exceed 90 percent of the current appraised value of the property. Section 203(d) shall not apply to mortgages insured under this section.

(5) *REQUIRED WAIVER OF PREPAYMENT PENALTIES AND FEES.*—All penalties for prepayment of the existing mortgage or mortgages, and all fees and penalties related to default or delinquency on all existing mortgages or mortgages, shall be waived or forgiven.

(6) *REQUIRED LOAN REDUCTION.*—

(A) *REDUCTION OF INDEBTEDNESS UNDER EXISTING SENIOR MORTGAGE.*—The amount of indebtedness on the existing mortgage or mortgages on the residence shall have been substantially reduced by such percentage as the Oversight Board or Secretary may require, and such reduction shall be at least sufficient to—

(i) provide for the refinancing of such existing mortgage or mortgages in an amount not greater than 90 percent of the current appraised value of the property involved;

(ii) pay the full amount of the single premium to be collected pursuant to subsection (e)(1) (which shall be an amount equal to 3.0 percent of the amount of the original insured principal obligation of the mortgage insured under this section and which shall serve as an additional reserve to cover possible loan losses); and

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

(B) **EXTINGUISHMENT OF DEBT BY REFINANCING.**—

(i) **REQUIRED AGREEMENT.**—All existing holders of mortgage liens on the property involved shall agree to accept the proceeds of the insured loan as payment in full of all indebtedness under all existing mortgages, and all encumbrances related to such mortgages shall be removed. The Oversight Board may take such actions as the Oversight Board considers necessary or appropriate to facilitate coordination and agreement between the holders of the existing senior mortgage and any existing subordinate mortgages, taking into consideration the subordinate lien status of such subordinate mortgages, to comply with the requirement under this subparagraph.

(ii) **TREATMENT OF MULTIPLE MORTGAGE LIENS.**—In addition to clause (i), the Oversight Board shall adopt one of the following approaches for all mortgages or such classes of mortgages as the Oversight Board may determine and may, from time to time, reconsider:

(I) **FIXED PRICE.**—As a requirement for participating in this program, all existing lien holders will agree to not provide any payment to subordinate lien holders other than such payment in accordance with a formula established by the Oversight Board as set forth in clause (iii); except that the Oversight Board may establish a short period within which first and subordinate lien holders may negotiate to extinguish all subordinate liens for compensation that may be different from the amount determined under such formula set forth in clause (iii).

(II) **SHARED EQUITY.**—The Oversight Board may require the mortgagor under a mortgage insured under this section to agree to share a portion of any future equity in the mortgaged property with holders of existing subordinate mortgages, in accordance with a formula for such shared equity established by the Oversight Board as set forth in clause (iii), except that payments of such shared equity may be made only after the Secretary recovers all amounts owed to the Secretary with respect to such mortgage pursuant to the program under this section (including amounts owed pursuant to paragraph (8)).

(iii) **FORMULA.**—In determining a formula for determining any payments to subordinate lien holders pursuant to subclauses (I) and (II) of clause (ii), and in any reconsideration of such formula as the Oversight Board may from time to time undertake, the Oversight Board shall take into consideration the current market value of such liens. In no case may a formula provide

for the payment of more than 1 percent of the current appraised value of the mortgaged property to a subordinate lien holder if the outstanding balance owed to more senior lien holders is equal to or exceeds such current appraised value.

(iv) *VOLUNTARY PROGRAM.*—This subparagraph may not be construed to require any holder of any existing mortgage to participate in the program under this section generally, or with respect to any particular loan.

(v) *SOURCE OF PAYMENTS FOR SUBORDINATE LOANS.*—Any amounts paid to holders of any existing subordinate mortgages in connection with the origination and insurance of a mortgage under this section shall derive only from—

(I) the holder of the existing senior mortgage; or

(II) in the case only of the shared equity approach under clause (ii)(II), the mortgagor under the mortgage insured under this section

(7) *REQUIRED REDUCTION OF DEBT SERVICE.*—The debt service payments due under the mortgage insured under this section shall be in an amount that is substantially reduced from the debt service payments due under the existing mortgage or mortgages, which reduction may be achieved through a reduction of indebtedness, a reduction in the interest rate being paid, or an extension of the term of the mortgage, or any combination thereof.

(8) *FINANCIAL RECOVERY TO FEDERAL GOVERNMENT THROUGH EXIT PREMIUM.*—

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

(B) *NO INTEREST OR PAYMENT DURING MORTGAGE.*—The amount secured by the lien retained by the Secretary pursuant to subparagraph (A) shall not bear interest and shall not be repayable to the Secretary except as provided in subparagraph (D) of this paragraph.

(C) *NET PROCEEDS AVAILABLE FOR EXIT PREMIUM.*—Upon the sale, refinancing, or other disposition of the residence covered by a mortgage insured under this section, any proceeds resulting from such disposition that remain after deducting the remaining insured principal balance of the mortgage insured under this section shall be available to meet the obligation under subparagraph (D).

(D) *EXIT PREMIUM.*—Upon any refinancing of the mortgage insured under this section or any sale or disposition of the residence covered by the mortgage, the Secretary shall, subject to the availability of sufficient net proceeds described in subparagraph (C), receive the greater of—

(i) 3 percent of the amount of the original insured principal obligation of the mortgage; or

(ii) a percentage of the portion of the net proceeds described in subparagraph (C), which shall be—

(I) in the case of any refinancing, sale, or disposition occurring during the first year of the term of the mortgage, 100 percent of such net proceeds;

(II) in the case of any refinancing, sale, or disposition occurring during the second year of the term of the mortgage, 80 percent;

(III) in the case of any refinancing, sale, or disposition occurring during the third year of the term of the mortgage, 60 percent; and

(IV) in the case of any refinancing, sale, or disposition occurring during the fourth year of the term of the mortgage or at any time thereafter, 50 percent;

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

(E) **AUTHORITY TO PROHIBIT NEW SECOND LIENS.**—The Oversight Board shall prohibit borrowers from granting a new second lien on the mortgaged property during the first five years of the term of the mortgage insured under this section, except as the Oversight Board determines to be necessary to ensure the appropriate maintenance of the mortgaged property.

(9) **DOCUMENTATION AND VERIFICATION OF INCOME.**—In complying with the FHA underwriting requirements under the program under this section, the mortgagee under the mortgage shall document and verify the income of the mortgagor by procuring an Internal Revenue Service transcript of the income tax returns of the mortgagor for the two most recent years for which the filing deadline for such years has passed and by any other method, in accordance with procedures and standards that the Oversight Board or the Secretary shall establish.

(10) **FIXED RATE MORTGAGE.**—The mortgage insured under this section shall bear interest at a single rate that is fixed for the entire term of the mortgage.

(11) **MAXIMUM LOAN AMOUNT.**—Notwithstanding section 203(b)(2), the mortgage being insured under this section shall involve a principal obligation in an amount that does not exceed the limitation (for a property of the applicable size) on the amount of the principal obligation that would be allowable under the terms of section 202(a) of the Economic Stimulus Act of 2008 if the mortgage were insured pursuant to such section. The limitation on the amount of the principal obligation allowable under such Act shall apply for the purposes of this Act until the termination under subsection (n) of the program under this subsection.

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

(13) **LENDER REVIEW.**—The mortgagee under the mortgage shall conduct an electronic database search of the mortgagor's criminal history to determine if the mortgagor has had a conviction described in paragraph (12). The mortgagee may charge the mortgagor a reasonable fee for the actual cost of the search



not to exceed a maximum rate established by the Oversight Board. The Oversight Board may provide clarification, if needed, to help mortgagees identify any differences among the States in how they report mortgage fraud convictions. The Oversight Board shall establish procedures sufficient to allow the mortgagor to challenge a mortgagee's determination with respect to paragraph (12) (including to correct inaccuracies resulting from theft of the mortgagor's identity or personally identifiable information).

(14) APPRAISALS.—Any appraisal conducted in connection with a mortgage insured under this section shall—

(A) be based on the current value of the property;

(B) be conducted in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3331 et seq.);

(C) be completed by an appraiser who meets the competency requirements of the Uniform Standards of Professional Appraisal Practice;

(D) be wholly consistent with the appraisal standards, practices, and procedures under section 202(e) of this Act that apply to all loans insured under this Act; and

(E) comply with the requirements of subsection (g) of this section (relating to appraisal independence).

(15) STATEMENT OF LOAN TERMS.—

(A) REQUIREMENT.—The mortgagor shall have been provided by the mortgagee, not later than three days after application for the mortgage, a form described in subparagraph (B) appropriately and accurately completed by the mortgagee.

(B) FORM.—The form described in this subparagraph shall be a single page, written disclosure regarding the mortgage loan to be insured under this section that, when completed by the mortgagee, sets forth, in accordance with such requirements as the Secretary shall by regulation establish a best possible estimate of—

(i) the total loan amount under the mortgage;

(ii) the loan-to-value ratio for the mortgage;

(iii) the final maturity date for the mortgage;

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

(v) the amount of the exit premium under the mortgage pursuant to subsection (e)(3);

(vi) the interest rate under the mortgage expressed as an annual percentage rate, and the amount of the monthly payment due under such rate;

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

(viii) the monthly household income of the borrower upon which the mortgage is based;

(ix) the amount of the monthly payment due under the mortgage, and the amount of such initial monthly

payment plus monthly amounts due for taxes and insurance on the property for which the mortgage is made, both expressed as a percentage of the monthly household income of the borrower; and

(x) the aggregate amount of settlement charges for all settlement services provided in connection with the mortgage, the amount of such charges that are included in the principal amount and the amount of such charges the borrower must pay at closing, the aggregate amount of mortgagee's fees connection with the mortgage, and the aggregate amount of other fees or required payments in connection with the mortgage.

(d) *FLEXIBLE UNDERWRITING CRITERIA.*—

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

(A) ensure that each mortgagor under a mortgage insured under this section has a reasonable expectation of repaying the mortgage, taking into consideration the mortgagor's income, assets, liabilities, payment history, and other applicable criteria, but which shall not result in a denial of insurance solely on the basis of the mortgagor's current FICO or other credit scores, or any delinquency or default by the mortgagor under the existing mortgage or mortgages, or any case filed under title 11, United States Code, by the mortgagor; and

(B) subject to the provisions of subparagraph (A), permit a total debt-to-income ratio of up to 43 percent.

(2) *EXCEPTION.*—

(A) *IN GENERAL.*—Subject to the underwriting standards established under paragraph (1)(A) and any additional requirements that the Oversight Board considers appropriate, the Oversight Board shall permit a total debt-to-income ratio of more than 43 percent, but not more than 50 percent, if the mortgagor has made, on a timely basis before the endorsement of the mortgage insured under this section, not less than six months of payments in an amount not less than the amount of the monthly payment due under the mortgage to be insured under this section. The holder of the existing senior mortgage shall exercise forbearance with respect to such mortgage during the period in which such payments are made.

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

(i) if the mortgagor is a debtor in a case under chapter 13 of title 11, United States Code, payments on recurring debts other than housing expenses shall be based on the amounts being paid on such debts under the mortgagor's confirmed plan under such chapter; and

(ii) if the mortgagor is a debtor in a case under chapter 7 of title 11, United States Code, recurring debts

that are to be discharged in that case shall not be considered.

(3) *AUTHORITY.*—The Oversight Board may alter the ratios under this subsection for a particular class of borrowers subject to such requirements as the Board determines is necessary and appropriate to fulfill the purposes of this Act.

(4) *REPRESENTATIONS AND WARRANTIES.*—The Oversight Board shall require the underwriter of the insured loan to provide such representations and warranties as the Oversight Board considers necessary or appropriate for the Secretary to enforce compliance with all underwriting and appraisal standards of the program.

(e) *PREMIUMS.*—For each mortgage insured under this section, the Oversight Board shall establish and the Secretary shall collect—

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

(2) in addition to the premium under paragraph (1), annual premium payments in an amount equal to 1.50 percent of the remaining insured principal balance of the mortgage; and

(3) an exit premium in the amount determined under subsection (c)(8), but which shall not be less than 3.0 percent of the original insured principal obligation of the mortgage, subject only to the availability of sufficient net proceeds from sale, refinancing, or other disposition of the property, as determined in subsection (c)(8).

(f) *ORIGINATION FEES AND MORTGAGE RATE.*—The Oversight Board shall establish and the Secretary shall implement a reasonable limitation on origination fees for mortgages insured under this section and shall establish procedures to ensure that interest rates on such mortgages shall be commensurate with market rate interest rates on such types of loans.

(g) *APPRAISAL INDEPENDENCE.*—

(1) *PROHIBITIONS ON INTERESTED PARTIES IN A REAL ESTATE TRANSACTION.*—No mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, nor any other person with an interest in a real estate transaction involving an appraisal in connection with a mortgage insured under this section shall improperly influence, or attempt to improperly influence, through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, non-payment for services rendered, or bribery, the development, reporting, result, or review of a real estate appraisal sought in connection with the mortgage.

(2) *EXCEPTIONS.*—The requirements of paragraph (1) shall not be construed as prohibiting a mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, or any other person with an interest in a real estate transaction from asking an appraiser to provide 1 or more of the following services:

(A) Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal.

(B) Provide further detail, substantiation, or explanation for the appraiser's value conclusion.

(C) Correct errors in the appraisal report.

(3) **CIVIL MONETARY PENALTIES.**—The Secretary may impose a civil money penalty for any knowing and material violation of paragraph (1) under the same terms and conditions as are authorized in section 536(a) of this Act.

(h) **LIMITATION ON AGGREGATE INSURANCE AUTHORITY.**—The aggregate original principal obligation of all mortgages insured under this section may not exceed \$300,000,000,000.

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

(1) contract for the establishment of underwriting criteria, automated underwriting systems, pricing standards, and other factors relating to eligibility for mortgages insured under this section;

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

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

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

(1) **MONITORING OF DESIGNATED UNDERWRITERS.**—The Oversight Board and the Secretary shall monitor independent quality reviews as established pursuant to subsection (i)(2) to—

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

(B) determine rates of delinquency, claims rates, and loss rates of designated underwriters; and

(C) terminate eligibility of designated underwriters that do not meet minimum performance standards as the Oversight Board may establish and the Secretary implements.

(2) **REPORTS BY OVERSIGHT BOARD.**—The Oversight Board shall submit monthly reports to the Congress identifying the progress of the program for mortgage insurance under this section, which shall contain the following information for each month:

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

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

(C) The average amount by which the indebtedness on existing mortgages is reduced in accordance with subsection (c)(6).

(D) The average amount by which the debt service payments on existing mortgages is reduced in accordance with subsection (c)(7).

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

(F) *The claim and loss rates for mortgages insured under this section.*

(G) *The race, ethnicity, gender, and income of the mortgagors, aggregated by geographical areas at least as specific as census tracts, except where necessary to protect privacy of the borrower.*

(H) *Any other information that the Oversight Board considers appropriate.*

(3) **REPORT BY INSPECTOR GENERAL.**—*The Inspector General of the Department of Housing and Urban Development shall conduct an annual audit of the program for mortgage insurance under this section to determine compliance with this section and program rules.*

(k) **GNMA COMMITMENT AUTHORITY.**—

(1) **GUARANTEES.**—*The Secretary shall take such actions as may be necessary to ensure that securities based on and backed by a trust or pool composed of mortgages insured under this section are available to be guaranteed by the Government National Mortgage Association as to the timely payment of principal and interest.*

(2) **GUARANTEE AUTHORITY.**—*To carry out the purposes of section 306 of the National Housing Act (12 U.S.C. 1721), the Government National Mortgage Association may enter into new commitments to issue guarantees of securities based on or backed by mortgages insured under this section, not exceeding \$300,000,000,000. The amount of authority provided under the preceding sentence to enter into new commitments to issue guarantees is in addition to any amount of authority to make new commitments to issue guarantees that is provided to the Association under any other provision of law.*

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

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

(1) **EXISTING MORTGAGE.**—*The term “existing mortgage” means, with respect to a mortgage insured under this section, a mortgage that is to be extinguished, and paid or prepaid, from the proceeds of the mortgage insured under this section.*

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

(3) **EXISTING SUBORDINATE MORTGAGE.**—*The term “existing subordinate mortgage” means, with respect to a mortgage insured under this section, an existing mortgage that has subordinate priority to the existing senior mortgage.*

(n) **SUNSET.**—

(1) **IN GENERAL.**—*Except as provided in paragraph (2), the authority of the Secretary to make any new commitment to insure any mortgage under this section shall terminate upon the expiration of the 2-year period beginning on the date of the enactment of the FHA Housing Stabilization and Homeownership Retention Act of 2008.*

(2) **EXTENSIONS.**—*The Oversight Board may, not more than four times, extend the authority to enter into new commitments*

to insure mortgages under this section beyond the date specified in paragraph (1), except that each such extension shall—

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

(i) certifies the need for such extension in writing to the Congress; and

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

(B) be for a period of not more than 6 months.

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

(1) \$210,000,000 for providing counseling regarding loss mitigation for mortgagors with 1- to 4-family residences, including determining eligibility for the program under this section, with grants to be administered through the Neighborhood Reinvestment Corporation, except that—

(A) not less than 15 percent of the funds made available pursuant to this paragraph shall be provided to counseling organizations that target counseling services regarding loss mitigation to minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners;

(B) \$35,000,000 of the funds made available pursuant to this paragraph shall be used by the Neighborhood Reinvestment Corporation (referred to in this subparagraph as the “NRC”) to make grants to State and local legal organizations or attorneys that have demonstrated legal experience in home foreclosure or eviction law to provide legal assistance related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure or to counseling intermediaries that have been approved by the Department of Housing and Urban Development for the purpose of making such grants or contracting for such legal assistance; of the amount provided under this subparagraph, at least 60 percent shall be allocated for legal assistance to low-income homeowners or tenants; such attorneys shall be capable of assisting homeowners in owner-occupied homes or tenants who live in homes with mortgages in default, in danger of default, or subject to or at risk of foreclosure or eviction and who have legal issues that cannot be handled by counselors employed by NRC intermediaries; in using the amount made available under this subparagraph, the NRC shall give priority consideration to State and local legal organizations and attorneys that (i) provide legal assistance in the 100 metropolitan statistical areas (as defined by the Director of the Office of Management and Budget) with the highest home foreclosure rates, and (ii) have the capacity to begin using the financial assistance within 90 days after receipt of the assistance; as a condition of the receipt of a grant under this subparagraph, the grantee shall submit to NRC information relating to the demographic characteristics of the as-

sisted homeowners or tenants, the dollar amount and terms of the relevant mortgages and the outcome of legal proceedings related to the foreclosure or eviction proceedings, including the resolutions thereof;

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

(D) the NRC shall give priority consideration for funding with amounts made available pursuant to this paragraph, except for funds made available under subparagraphs (A) and (B), to entities that have an effective plan in place for making contact, including personal contact, with defaulted mortgagors, and such a plan may include use of third parties (including both for-profit and not-for-profit entities) to make personal contact with defaulted mortgagors, or visits to such mortgagors, or both;

(E) except with respect to funds reserved under subparagraphs (A) and (B), the NRC shall give priority consideration for funding with amounts made available pursuant to this paragraph to entities that have a written plan that has been implemented for providing in-person counseling and for making contact, including personal contact, with defaulted mortgagors, for the purpose of providing counseling or providing information about available counseling, both (i) prior to commencement of any foreclosure proceedings, and (ii) in the event effective in person or phone contact has not been made with such defaulted mortgagors prior thereto, then prior to the conclusion of the foreclosure process; and

(F) not less than 2 percent of the funds made available pursuant to this paragraph shall be used only for identifying and notifying borrowers under existing mortgages who are eligible under this section for insurance of refinancing mortgages, and in making funds reserved under this subparagraph available for such purpose, the Secretary shall give preference to assistance for programs that have a proven history of outreach within minority communities; and

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

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

(1) **AUDIT.**—The Inspector General of the Department of Housing and Urban Development shall conduct an audit of the program for loss mitigation counseling funded with amounts made available under subsection (o)(1) to determine compliance with such subsection.

(2) **REPORTS TO CONGRESS.**—Not later than March 30, 2009, and every calendar quarter thereafter, the Inspector General shall submit to the appropriate committees of the Congress a report summarizing the activities of the Inspector General and the Neighborhood Reinvestment Corporation during the 120-day period ending on the date of such report. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with paragraphs (1) and (2) of subsection (o), including—

(A) obligations and expenditures of appropriated funds;

- (B) the number of homeowners eligible in such program;
- (C) the number of homeowners participating in such program;
- (D) the status of homeowners within such program;
- (E) the number of homeowners who have rejected assistance from the Neighborhood Reinvestment Corporation;
- and
- (F) information on participating counseling services.

\* \* \* \* \*

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ACT**

\* \* \* \* \*

UNDER SECRETARY AND OTHER OFFICERS AND OFFICES

SEC. 4. (a) \* \* \*

\* \* \* \* \*

(g) OFFICE OF HOUSING COUNSELING.—

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

(2) DIRECTOR.—There is established the position of Director of Housing Counseling. The Director shall be the head of the Office of Housing Counseling and shall be appointed by the Secretary. Such position shall be a career-reserved position in the Senior Executive Service.

(3) FUNCTIONS.—

(A) IN GENERAL.—The Director shall have ultimate responsibility within the Department, except for the Secretary, for all activities and matters relating to homeowner-counseling and rental housing counseling, including—

(i) research, grant administration, public outreach, and policy development relating to such counseling; and

(ii) establishment, coordination, and administration of all regulations, requirements, standards, and performance measures under programs and laws administered by the Department that relate to housing counseling, homeownership counseling (including maintenance of homes), mortgage-related counseling (including home equity conversion mortgages and credit protection options to avoid foreclosure), and rental housing counseling, including the requirements, standards, and performance measures relating to housing counseling.

(B) SPECIFIC FUNCTIONS.—The Director shall carry out the functions assigned to the Director and the Office under this section and any other provisions of law. Such functions shall include establishing rules necessary for—

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

(ii) carrying out all other functions of the Secretary under section 106(g) of the Housing and Urban Development Act of 1968.



opment Act of 1968, including the establishment, operation, and publication of the availability of the toll-free telephone number under paragraph (2) of such section;

(iii) carrying out section 5 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2604) for home buying information booklets prepared pursuant to such section;

(iv) carrying out the certification program under section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e));

(v) carrying out the assistance program under section 106(a)(4) of the Housing and Urban Development Act of 1968, including criteria for selection of applications to receive assistance;

(vi) carrying out any functions regarding abusive, deceptive, or unscrupulous lending practices relating to residential mortgage loans that the Secretary considers appropriate, which shall include conducting the study under section 6 of the Expand and Preserve Home Ownership Through Counseling Act;

(vii) providing for operation of the advisory committee established under paragraph (4) of this subsection;

(viii) collaborating with community-based organizations with expertise in the field of housing counseling; and

(ix) providing for the building of capacity to provide housing counseling services in areas that lack sufficient services.

(4) **ADVISORY COMMITTEE.**—

(A) **IN GENERAL.**—The Secretary shall appoint an advisory committee to provide advice regarding the carrying out of the functions of the Director.

(B) **MEMBERS.**—Such advisory committee shall consist of not more than 12 individuals, and the membership of the committee shall equally represent all aspects of the mortgage and real estate industry, including consumers.

(C) **TERMS.**—Except as provided in subparagraph (D), each member of the advisory committee shall be appointed for a term of 3 years. Members may be reappointed at the discretion of the Secretary.

(D) **TERMS OF INITIAL APPOINTEES.**—As designated by the Secretary at the time of appointment, of the members first appointed to the advisory committee, 4 shall be appointed for a term of 1 year and 4 shall be appointed for a term of 2 years.

(E) **PROHIBITION OF PAY; TRAVEL EXPENSES.**—Members of the advisory committee shall serve without pay, but shall receive travel expenses, including per diem in lieu of subsistence, in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

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

(5) *SCOPE OF HOMEOWNERSHIP COUNSELING.*—In carrying out the responsibilities of the Director, the Director shall ensure that homeownership counseling provided by, in connection with, or pursuant to any function, activity, or program of the Department addresses the entire process of homeownership, including the decision to purchase a home, the selection and purchase of a home, issues arising during or affecting the period of ownership of a home (including refinancing, default and foreclosure, and other financial decisions), and the sale or other disposition of a home.

\* \* \* \* \*

**HOUSING AND URBAN DEVELOPMENT ACT OF 1968**

\* \* \* \* \*

TECHNICAL ASSISTANCE, COUNSELING TO TENANTS AND HOMEOWNERS, AND LOANS TO SPONSORS OF LOW- AND MODERATE-INCOME HOUSING

SEC. 106. (a)(1) \* \* \*

\* \* \* \* \*

(4) *HOMEOWNERSHIP AND RENTAL COUNSELING ASSISTANCE.*—

(A) *IN GENERAL.*—The Secretary shall make financial assistance available under this paragraph to States, units of general local governments, and nonprofit organizations providing homeownership or rental counseling (as such terms are defined in subsection (g)(1)).

(B) *QUALIFIED ENTITIES.*—The Secretary shall establish standards and guidelines for eligibility of organizations (including governmental and nonprofit organizations) to receive assistance under this paragraph.

(C) *DISTRIBUTION.*—Assistance made available under this paragraph shall be distributed in a manner that encourages efficient and successful counseling programs.

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

- (i) the operations of the Office of Housing Counseling of the Department of Housing and Urban Development;
- (ii) the responsibilities of the Secretary under paragraphs (2) through (5) of subsection (g); and
- (iii) assistance pursuant to this paragraph for entities providing homeownership and rental counseling.

\* \* \* \* \*

(c) *GRANTS FOR HOMEOWNERSHIP COUNSELING ORGANIZATIONS.*—

(1) \* \* \*

\* \* \* \* \*

(5) *NOTIFICATION OF AVAILABILITY OF HOMEOWNERSHIP COUNSELING.*—

(A) *NOTIFICATION OF AVAILABILITY OF HOMEOWNERSHIP COUNSELING.*—

(i) \* \* \*

(ii) CONTENT.—Notification under this subparagraph shall—

(I) \* \* \*

\* \* \* \* \*

(III) notify the homeowner or mortgage applicant of the availability of homeownership counseling provided by nonprofit organizations approved by the Secretary and experienced in the provision of homeownership counseling, or provide the toll-free telephone number described in subparagraph (D)(i); **and**

(IV) notify the homeowner by a statement or notice, written in plain English by the Secretary of Housing and Urban Development, in consultation with the Secretary of Defense and the Secretary of the Treasury, explaining the mortgage and foreclosure rights of servicemembers, and the dependents of such servicemembers, under the Servicemembers Civil Relief Act (50 U.S.C. App. 501 et seq.), including the toll-free military one source number to call if servicemembers, or the dependents of such servicemembers, require further assistance**].**; *and*

(V) *notify the housing or mortgage applicant of the availability of mortgage software systems provided pursuant to subsection (g)(3).*

\* \* \* \* \*

(e) CERTIFICATION.—

**[(1) REQUIREMENT FOR ASSISTANCE.—An organization may not receive assistance for counseling activities under subsection (a)(1)(iii), (a)(2), (c), or (d), unless the organization provides such counseling, to the extent practicable, by individuals who have been certified by the Secretary under this subsection as competent to provide such counseling.]**

*(1) REQUIREMENT FOR ASSISTANCE.—An organization may not receive assistance for counseling activities under subsection (a)(1)(iii), (a)(2), (a)(4), (c), or (d) of this section, or under section 101(e), unless the organization, or the individuals through which the organization provides such counseling, has been certified by the Secretary under this subsection as competent to provide such counseling.*

(2) STANDARDS AND EXAMINATION.—The Secretary shall, by regulation, establish standards and procedures for testing and certifying counselors *and for certifying organizations*. Such standards and procedures shall require **[for certification]**, *for certification of an organization, that each individual through which the organization provides counseling shall demonstrate, and, for certification of an individual, that the individual shall demonstrate, by written examination (as provided under subsection (f)(4)), competence to provide counseling in each of the following areas:*

(A) \* \* \*

\* \* \* \* \*

(3) *REQUIREMENT UNDER HUD PROGRAMS.*—Any homeownership counseling or rental housing counseling (as such terms are defined in subsection (g)(1)) required under, or provided in connection with, any program administered by the Department of Housing and Urban Development shall be provided only by organizations or counselors certified by the Secretary under this subsection as competent to provide such counseling.

(4) *OUTREACH.*—The Secretary shall take such actions as the Secretary considers appropriate to ensure that individuals and organizations providing homeownership or rental housing counseling are aware of the certification requirements and standards of this subsection and of the training and certification programs under subsection (f).

[(3)] (5) *ENCOURAGEMENT.*—The Secretary shall encourage organizations engaged in providing homeownership and rental counseling that do not receive assistance under this section to employ organizations and individuals to provide such counseling who are certified under this subsection or meet the certification standards established under this subsection.

\* \* \* \* \*

(g) *PROCEDURES AND ACTIVITIES.*—

(1) *COUNSELING PROCEDURES.*—

(A) *IN GENERAL.*—The Secretary shall establish, coordinate, and monitor the administration by the Department of Housing and Urban Development of the counseling procedures for homeownership counseling and rental housing counseling provided in connection with any program of the Department, including all requirements, standards, and performance measures that relate to homeownership and rental housing counseling.

(B) *HOMEOWNERSHIP COUNSELING.*—For purposes of this subsection and as used in the provisions referred to in this subparagraph, the term “homeownership counseling” means counseling related to homeownership and residential mortgage loans. Such term includes counseling related to homeownership and residential mortgage loans that is provided pursuant to—

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

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

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

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

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

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

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

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

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

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

(iii) section 302(a)(4) of the American Homeownership and Economic Opportunity Act of 2000 (42 U.S.C. 1437f note);

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

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

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

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

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

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

(x) in the National Housing Act—

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

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

(III) subsections (d)(2)(B) and (m)(1) of section 255 (12 U.S.C. 1715z-20);

(xi) section 502(h)(4)(B) of the Housing Act of 1949 (42 U.S.C. 1472(h)(4)(B)); and

(xii) section 508 of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-7).

(C) **RENTAL HOUSING COUNSELING.**—For purposes of this subsection, the term “rental housing counseling” means counseling related to rental of residential property, which may include counseling regarding future homeownership opportunities and providing referrals for renters and prospective renters to entities providing counseling and shall include counseling related to such topics that is provided pursuant to—

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

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

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

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

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

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

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

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

(iii) section 233(b)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12773(b)(2));

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

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

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

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

(viii) the rental assistance program under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

(2) **STANDARDS FOR MATERIALS.**—*The Secretary, in conjunction with the advisory committee established under subsection (g)(4) of the Department of Housing and Urban Development Act, shall establish standards for materials and forms to be used, as appropriate, by organizations providing homeowner-ship counseling services, including any recipients of assistance pursuant to subsection (a)(4).*

(3) **MORTGAGE SOFTWARE SYSTEMS.**—

(A) **CERTIFICATION.**—*The Secretary shall provide for the certification of various computer software programs for consumers to use in evaluating different residential mortgage loan proposals. The Secretary shall require, for such certification, that the mortgage software systems take into account—*

(i) *the consumer's financial situation and the cost of maintaining a home, including insurance, taxes, and utilities;*

(ii) *the amount of time the consumer expects to remain in the home or expected time to maturity of the loan;*

(iii) *such other factors as the Secretary considers appropriate to assist the consumer in evaluating whether to pay points, to lock in an interest rate, to select an adjustable or fixed rate loan, to select a conventional or government-insured or guaranteed loan and to make other choices during the loan application process.*

*If the Secretary determines that available existing software is inadequate to assist consumers during the residential mortgage loan application process, the Secretary shall arrange for the development by private sector software companies of new mortgage software systems that meet the Secretary's specifications.*

(B) **USE AND INITIAL AVAILABILITY.**—*Such certified computer software programs shall be used to supplement, not replace, housing counseling. The Secretary shall provide that such programs are initially used only in connection with the assistance of housing counselors certified pursuant to subsection (e).*

(C) **AVAILABILITY.**—*After a period of initial availability under subparagraph (B) as the Secretary considers appropriate, the Secretary shall take reasonable steps to make mortgage software systems certified pursuant to this paragraph widely available through the Internet and at public locations, including public libraries, senior-citizen centers, public housing sites, offices of public housing agencies that*

*administer rental housing assistance vouchers, and housing counseling centers.*

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

**(A) IN GENERAL.—***The Director of Housing Counseling shall develop, implement, and conduct national public service multimedia campaigns designed to make persons facing mortgage foreclosure, persons considering a subprime mortgage loan to purchase a home, elderly persons, persons who face language barriers, low-income persons, and other potentially vulnerable consumers aware that it is advisable, before seeking or maintaining a residential mortgage loan, to obtain homeownership counseling from an unbiased and reliable sources and that such homeownership counseling is available, including through programs sponsored by the Secretary of Housing and Urban Development.*

**(B) CONTACT INFORMATION.—***Each segment of the multimedia campaign under subparagraph (A) shall publicize the toll-free telephone number and web site of the Department of Housing and Urban Development through which persons seeking housing counseling can locate a housing counseling agency in their State that is certified by the Secretary of Housing and Urban Development and can provide advice on buying a home, renting, defaults, foreclosures, credit issues, and reverse mortgages.*

**(C) AUTHORIZATION OF APPROPRIATIONS.—***There are authorized to be appropriated to the Secretary, not to exceed \$3,000,000 for fiscal years 2008, 2009, and 2010, for the develop, implement, and conduct of national public service multimedia campaigns under this paragraph.*

**(5) EDUCATION PROGRAMS.—***The Secretary shall provide advice and technical assistance to States, units of general local government, and nonprofit organizations regarding the establishment and operation of, including assistance with the development of content and materials for, educational programs to inform and educate consumers, particularly those most vulnerable with respect to residential mortgage loans (such as elderly persons, persons facing language barriers, low-income persons, and other potentially vulnerable consumers), regarding home mortgages, mortgage refinancing, home equity loans, and home repair loans.*

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

**(1) NONPROFIT ORGANIZATION.—***The term “nonprofit organization” has the meaning given such term in section 104(5) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704(5)), except that subparagraph (D) of such section shall not apply for purposes of this section.*

**(2) STATE.—***The term “State” means each of the several States, the Commonwealth of Puerto Rico, the District of Columbia, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific, or any other possession of the United States.*

**(3) UNIT OF GENERAL LOCAL GOVERNMENT.—***The term “unit of general local government” means any city, county, parish, town,*

*township, borough, village, or other general purpose political subdivision of a State.*

\* \* \* \* \*

## **REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974**

\* \* \* \* \*

### **[SPECIAL] HOME BUYING INFORMATION BOOKLETS**

SEC. 5. [(a) The Secretary shall prepare and distribute booklets to help persons borrowing money to finance the purchase of residential real estate better to understand the nature and costs of real estate settlement services. The Secretary shall distribute such booklets to all lenders which make federally related mortgage loans.

[(b) Each booklet shall be in such form and detail as the Secretary shall prescribe and, in addition to such other information as the Secretary may provide, shall include in clear and concise language—

[(1) a description and explanation of the nature and purpose of each cost incident to a real estate settlement;

[(2) an explanation and sample of the standard real estate settlement form developed and prescribed under section 4;

[(3) a description and explanation of the nature and purpose of escrow accounts when used in connection with loans secured by residential real estate;

[(4) an explanation of the choices available to buyers of residential real estate in selecting persons to provide necessary services incident to a real estate settlement; and

[(5) an explanation of the unfair practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement.

Such booklets shall take into consideration differences in real estate settlement procedures which may exist among the several States and territories of the United States and among separate political subdivisions within the same State and territory.]

(a) *PREPARATION AND DISTRIBUTION.*—*The Secretary shall prepare, at least once every 5 years, a booklet to help consumers applying for federally related mortgage loans to understand the nature and costs of real estate settlement services. The Secretary shall prepare the booklet in various languages and cultural styles, as the Secretary determines to be appropriate, so that the booklet is understandable and accessible to homebuyers of different ethnic and cultural backgrounds. The Secretary shall distribute such booklets to all lenders that make federally related mortgage loans. The Secretary shall also distribute to such lenders lists, organized by location, of homeownership counselors certified under section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) for use in complying with the requirement under subsection (c) of this section.*

(b) *CONTENTS.*—*Each booklet shall be in such form and detail as the Secretary shall prescribe and, in addition to such other information as the Secretary may provide, shall include in plain and understandable language the following information:*



(1) A description and explanation of the nature and purpose of the costs incident to a real estate settlement or a federally related mortgage loan. The description and explanation shall provide general information about the mortgage process as well as specific information concerning, at a minimum—

(A) balloon payments;

(B) prepayment penalties; and

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

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

(3) A list and explanation of lending practices, including those prohibited by the Truth in Lending Act or other applicable Federal law, and of other unfair practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement.

(4) A list and explanation of questions a consumer obtaining a federally related mortgage loan should ask regarding the loan, including whether the consumer will have the ability to repay the loan, whether the consumer sufficiently shopped for the loan, whether the loan terms include prepayment penalties or balloon payments, and whether the loan will benefit the borrower.

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

(6) A brief explanation of the nature of a variable rate mortgage and a reference to the booklet entitled “Consumer Handbook on Adjustable Rate Mortgages”, published by the Board of Governors of the Federal Reserve System pursuant to section 226.19(b)(1) of title 12, Code of Federal Regulations, or to any suitable substitute of such booklet that such Board of Governors may subsequently adopt pursuant to such section.

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

(8) Information about homeownership counseling services made available pursuant to section 106(a)(4) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(a)(4)), a recommendation that the consumer use such services, and notification that a list of certified providers of homeownership counseling in the area, and their contact information, is available.

(9) An explanation of the nature and purpose of escrow accounts when used in connection with loans secured by residential real estate and the requirements under section 10 of this Act regarding such accounts.

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

(11) An explanation of a consumer’s responsibilities, liabilities, and obligations in a mortgage transaction.

(12) An explanation of the nature and purpose of real estate appraisals, including the difference between an appraisal and a home inspection.

(13) Notice that the Office of Housing of the Department of Housing and Urban Development has made publicly available a brochure regarding loan fraud and a World Wide Web address and toll-free telephone number for obtaining the brochure. The booklet prepared pursuant to this section shall take into consideration differences in real estate settlement procedures that may exist among the several States and territories of the United States and among separate political subdivisions within the same State and territory.

(c) Each lender shall include with the booklet a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement as prescribed by the Secretary. *Each lender shall also include with the booklet a reasonably complete or updated list of homeownership counselors who are certified pursuant to section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) and located in the area of the lender.*

(d) Each lender referred to in subsection (a) shall provide the booklet described in such subsection to each person from whom it receives or for whom it prepares a written application to borrow money to finance the purchase of residential real estate. *The lender shall provide the HUD-issued booklet in the version that is most appropriate for the person receiving it.* Such booklet shall be provided by delivering it or placing it in the mail not later than 3 business days after the lender receives the application, but no booklet need be provided if the lender denies the application for credit before the end of the 3-day period.

\* \* \* \* \*

## DISSENTING VIEWS

Current conditions in the housing market—declining prices, increasing numbers of defaults and foreclosures, and illiquidity in the secondary market—have resulted in calls for the government to attempt to stabilize the market by offering Federal assistance to borrowers who owe more on their mortgages than their houses are worth. H.R. 5830 seeks to achieve this objective by making available \$300 billion in Federal guarantees to transition borrowers in “underwater” mortgages into more affordable loans, by significantly reducing the principal on their existing mortgages and offering them new loans insured by the Federal Housing Administration (FHA). In doing so, the bill would transfer the downside risks currently being borne by the borrowers, lenders and investors in such mortgages to the American taxpayer. Because we believe that H.R. 5830 is both profoundly unfair and unlikely to achieve its stated objectives, we oppose this legislation and voted against reporting it favorably to the House.

### ROOTS OF THE SUBPRIME PROBLEM

Economists agree that the roots of the current problems in the mortgage market can be traced to earlier this decade, when falling interest rates encouraged lenders to significantly relax—and in some cases abandon—sound underwriting criteria when qualifying borrowers for mortgages. Borrowers who at one time might have been denied credit or granted limited credit found themselves able to borrow larger sums, and they took advantage of this opportunity to buy larger, more expensive houses than they otherwise would have been able to afford.

As a consequence of low interest rates and weak underwriting standards, the availability of mortgage credit exploded from the late 1990s through 2006. Homeownership rates rose from the 64 percent range in the 35 years prior to 1995 to an all-time high of 69 percent in 2004. The growing demand for houses, fueled by cheap and easily available credit, caused home prices to skyrocket: according to the National Association of Realtors, the national median home price went from \$110,500 in 1995 to \$190,000 ten years later. Economists have pointed out that these inflated prices reflected the euphoria of a market fueled by easy credit. Compared to other economic fundamentals, such as rental prices or incomes, these soaring housing prices were simply unsustainable, and the market is now in the process of correcting these excesses.

Despite the higher risk associated with mortgages to borrowers with checkered credit histories, the opportunities to earn higher rates of return from subprime mortgages induced many lenders to further loosen their underwriting standards during the period 2005 to 2007, introducing even more risk into the system. Instead of protecting themselves against this increased risk by requiring bor-

rowers to make higher down payments, lenders engineered new loans that permitted borrowers to buy with little or no money down, and compensated for this increased risk by charging these borrowers higher interest rates and fees. Lenders further eroded the integrity of the underwriting process by permitting borrowers to sign up for so-called “low documentation” or “no documentation” loans, which became known in the mortgage industry as “liar loans,” so named because they often featured loan applications characterized by misstated or falsified income.

As long as housing prices continued to rise, the risks inherent in such shoddy underwriting practices remained hidden. Borrowers who had stretched to purchase homes that they otherwise could not afford either refinanced their mortgages against home price appreciation or sold to other buyers and paid off their mortgages. Investors in mortgage-backed securities believed their risk was limited: even if risky borrowers defaulted, home price appreciation all but guaranteed that the houses that secured the underlying mortgages could either be resold to other buyers through voluntary sales or, if necessary, foreclosed upon and resold at auction with only minimal impairment of the collateral securing the loan.

As the subprime market began to collapse in late 2006, the assumption that home prices would rise forever was exposed as fundamentally flawed. The Wall Street Journal recently reported that home prices in 20 major U.S. metropolitan areas have plunged 10.7 percent, a record. As a result of declining property values, many borrowers now owe more on their homes than those homes are worth. One economist has estimated that 8.8 million mortgages are now “underwater,” and expects that figure to rise as housing prices further decline. Some analysts believe that even if some significant percentage of these borrowers can afford to make their mortgage payments, the difference between what they owe on their houses and the home’s market value—a difference that has come to be known as “negative equity”—may encourage these borrowers to walk away from their homes. Some commentators have even gone so far as to say that in these circumstances, it is economically rational for borrowers to purposefully default on these mortgages.

The so-called “negative equity” problem has shifted the terms of the discussion of the “foreclosure crisis.” Last year, the discussion focused on foreclosures that some believed would be brought on by steep interest rate resets on adjustable rate subprime mortgages that borrowers would not be able to afford. But due largely to aggressive reductions in the federal funds rate by the Federal Reserve beginning in mid-2007, the impact of mortgage rate resets has not been nearly as dire as many had predicted. Indeed, in some cases the Fed rate cuts have actually resulted in lowering borrowers’ monthly payments when their rates reset.

The Boston Federal Reserve examined 1.5 million homeownerships over twenty years and found that the overwhelming reason for subprime foreclosures was not that homeowners lacked the ability to make their mortgage payments, but rather that borrowers chose to walk away from their mortgages when the value of their homes had declined. Thus, rather than focusing assistance on those homeowners unable to afford their monthly mortgage payments, H.R. 5830 tries to keep these home-

owners from walking away from mortgages for which they may be able to afford to make the payments but choose not to. As Representative Mel Watt said during Committee consideration of H.R. 5830, “one of our intentions was to try to capture those people whose loans were under water . . . who are intentionally walking away because the mortgage is substantially greater than the value.” But as Treasury Secretary Henry Paulson has noted, “[—]Any homeowner who can afford his mortgage payment but chooses to walk away from an underwater property is simply a speculator. Washington cannot create any new mortgage program to induce these speculators to continue to own these homes, unless someone else foots the bill.” Under H.R. 5830, that “someone else” is ultimately the U.S. taxpayer.

#### FAIRNESS AND MORAL HAZARD

The primary basis for Republican opposition to H.R. 5830 can be found in the legislation’s fundamental unfairness and skewed incentives. The bill rewards financial irresponsibility and punishes prudence. By providing “gift equity” to those homeowners who made bad choices or engaged in financial irresponsibility, it does an injustice to those millions of Americans—including the 51 million making their mortgage payments on time, sometimes at considerable personal sacrifice, and the 34 million renters—who chose a more responsible course. Those Americans must now watch as their neighbors receive a taxpayer-subsidized windfall in the form of sizable write-downs in loan principal and reduced monthly mortgage payments.

Perhaps even more harmful for those of us concerned about moral hazard and personal responsibility is the message that we risk sending to financial institutions and individuals that when they willingly take on excessive and ill-advised risks, the government will always ride to their rescue. As the Congressional Budget Office noted in a recent report on policy options for dealing with turmoil in the housing market: “If the federal government is expected to step in when economic times are bad, then lenders and borrowers do not need to consider the possibility of bad times when making decisions.” Unless individual market participants receive a clear and unmistakable signal that they must bear the consequences of their own decisions, severe market disruptions like the one that has unfolded over the past year will be repeated over and over again, with grave damage to our country’s economic future.

If there could be a rationale for legislation of this kind, it would be that it was targeted toward the poor or victims of fraud. Instead, H.R. 5830 has been designed to bail out the affluent too. Because the FHA is now authorized to guarantee mortgages valued as high as \$729,750, some of the beneficiaries of the program established under the legislation could be quite wealthy. The Majority rejected amendments that would limit eligibility by, among other measures, imposing a means test. As a result, H.R. 5830 risks conferring a substantial government subsidy on those who are neither worthy nor needy.

Moreover, this legislation also bails out investors who willingly and knowingly purchased securities that were cobbled together

from mortgages that were poorly underwritten. The investors and lenders that would benefit from H.R. 5830 are those that chased high rates of return even as they ignored the obvious risks of subprime lending and declining housing values. These market participants eagerly reaped the upside potential when housing prices soared; H.R. 5830 offers them a mechanism for offloading the downside risk on the government now that the market has soured.

The proponents of H.R. 5830 point to the “haircut” that investors must take in order to participate in the FHA refinancing program to rebut the contention that the bill would bail them out. But this argument is specious. Because participation in the plan is voluntary, no mortgage will be placed in the program unless an investor concludes that the loan is likely to fail. The incentives are perverse: Investors will place the mortgages they think are worth less than the “haircut” into the program, to be refinanced with an FHA-guaranteed loan. Given the substantial risk that these loans represent—the plan is after all aimed at those borrowers most likely to default or who are “intentionally walking away”—no lender would refinance but for the FHA guarantee. The result is that taxpayers who acted responsibly during the run-up in housing prices are left to underwrite the costs of cleaning up after irresponsible borrowers, lenders, and investors. During Committee consideration of H.R. 5830, Republicans offered a series of amendments designed to mitigate these moral hazard and adverse selection issues, only to have them opposed unanimously by Committee Democrats.

#### IMPLEMENTATION ISSUES

Economists of every stripe have pointed out that by every conceivable measure, housing prices remain inflated and will still have to come down at least another 15 percent to return to historical levels. There is currently a 10 months’ over-supply of existing homes, which H.R. 5830 will do nothing to address. Because prospective customers cannot afford to buy at current prices, those prices will have to fall, wiping out whatever minimal impact H.R. 5830 will have on home prices. Given that the Federal Reserve estimates that owner-occupied real estate is worth almost \$21 trillion, H.R. 5830’s goal of arresting home price declines by refinancing a maximum of \$300 billion in mortgages is as futile as it is unfair.

Even if one concedes that a plan of this nature *could* work, because the market remains so unsettled, there is no way of knowing whether it *will* work. No one knows where the market’s bottom is. Thus, there is no way of knowing how many distressed homeowners this would help. No reasonable person can predict whether the principal write-downs, returns on equity or exit premiums in this bill are rationally related to actual, eventual home values. And because the numbers are based on nothing more than guesswork, it is simply unreasonable to ask the taxpayer to bear the risk of that guess being off the mark.

Furthermore, many believe that FHA lacks the administrative capacity to insure an additional \$300 billion in mortgages, which would represent a massive expansion of the agency’s current \$180 billion portfolio. Moreover, given that the program contemplated by H.R. 5830 depends on a large-scale re-underwriting of troubled

mortgages, it is far from certain that the program could be launched in time to make any difference in the real estate market. Interest rate reduction and extensions of amortization periods are better options anyway: They are immediate, easier to administer and can be implemented without reliance upon a cumbersome FHA bureaucracy. Indeed, perhaps the best that can be said about this legislation is that given its inherent unfairness and potential to put taxpayers at risk for loans that investors are all too eager to be rid of, the insurmountable difficulties of implementing it may mean that whatever harm it ultimately ends up doing should be limited.

#### CONCLUSION

For all of the foregoing reasons, we must oppose H.R. 5830, and will continue to push for changes to the bill as it moves through the House to limit taxpayer exposure and discourage moral hazard.

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