RSC Republican Study Committee

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Legislative Bulletin ....March 10, 2011

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H.R. 836 - The Emergency Mortgage Relief Program Termination Act (Hensarling, R-TX)

Order of Business: The bill is scheduled to be considered on Thursday, March 10, 2011, under a modified open rule and waives all points of order against consideration of the bill. The rule provides one hour of debate equally divided and controlled by the chair and ranking minority member of the Committee on Financial Services. The rule makes in order the amendment in the nature of a substitute recommended by the Committee on Financial Services as original text for purpose of amendment, and provides that each section shall be considered as read. The rule also makes in order only those amendments that have been submitted for printing in the Congressional Record not later than March 9, 2011 or pro forma amendments for the purpose of debate. Provides that each amendment submitted for printing in the Congressional Record may be offered only by the Member who submitted it for printing or their designee, and that each such amendment shall be considered as read if printed.

Amendment Submitted: Rep. Cardoza (D-AZ) submitted an amendment that would require Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) each to carry out a one-year program providing for the refinancing of qualified single-family housing mortgages it owns or guarantees.

Summary: H.R. 836 will rescind the unobligated funding for the Emergency Mortgage Relief Program, funded under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and terminate the program. The bill will repeal Title I of the Emergency Housing Act of 1975, as amended by section 1496(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. After the completion of the available funds are liquidated, the Secretary of Housing and Urban Development will be required terminate the Emergency Mortgage Relief Program. The legislation also requires the Secretary of Housing and Urban Development conduct a study to determine the extent of usage of the Emergency Mortgage Relief Program and the impact on covered homeowners. The covered homeowner will include members of the Armed Forces of the United States on active duty, or the spouse or parent of those members, veterans, and individuals eligible to receive a Gold Star lapel pin as a widow, parent, or next of kin of a soldier that died at war. The study is required to take place no later than the 90-days beginning on the date of the enactment of this bill, and the Secretary shall submit to Congress a report detailing the results of the study and identifying best practices, with respect to covered homeowners, that could be applied to the Emergency Mortgage Relief Program.

Background: The Dodd-Frank Act established a **$1 billion** Emergency Homeowner Relief Fund, to be used to fund the Emergency Mortgage Relief Program. The Emergency Mortgage Relief Program provides loans or credit advances to borrowers who cannot pay their mortgages because of unemployment or reduction in income. The Emergency Mortgage Relief Program provides up to $50,000 in subsidized loans to homeowners who are at least three months behind on their mortgage because of losing their job or income. The program will pay all late payments that a homeowner has incurred for up to twenty four months, and the amount needed to lower the homeowner's contribution to the mortgage payment to 31% of gross monthly income. As of February 2011, no funds have been furnished to homeowners under the program, and the Obama Administration's own projections for the program in its Fiscal Year 2012 Budget submission, purport that nearly 98 cents of every dollar loaned under the program is not expected to be repaid. Member may be concerned that the program underwrites loans to homeowners who, by definition, lack the ability to pay because they are unemployed, and the program increases the debt of borrowers already struggling to meet their current obligations.

Committee Action: H.R.836 was introduced by Rep. Jeb Hensarling (R-TX) on February 28, 2011, and referred to the Committee on Financial Services. The Committee amended the bill on March 7, 2011 and passed the bill by majority vote.

Administration Position: The SAP states: "strongly opposes House passage of H.R. 836, which would eliminate the Department of Housing and Urban Development's Emergency Homeowners Loan Program (EHLP). If the President is presented with H.R. 836, his senior advisors would recommend that he veto the bill."

Cost to Taxpayers: CBO estimates that enacting H.R. 836 would decrease federal budget deficits by $840 million over the 2011-2012 period.

Does the Bill Expand the Size and Scope of the Federal Government?: No, the legislation reduces the size of government.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: A committee report citing compliance with rules regarding earmarks, limited tax benefits, or limited tariff benefits is not available.

Constitutional Authority: According the author, "Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 1 (relating to the general welfare of the United States); and Article I, Section 8, Clause 3 (relating to the power to regulate interstate commerce)."

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H.R. 830 - FHA Refinance Program Termination Act (Dold, R-IL)

Order of Business: The bill is scheduled to be considered on Thursday, March 10, 2011, under a modified open rule and waives all points of order against consideration of the bill. The rule provides one hour of debate equally divided and controlled by the chair and ranking minority member of the Committee on Financial Services. The rule makes in order the amendment in the nature of a substitute recommended by the Committee on Financial Services as original text for purpose of amendment, and provides that each section shall be considered as read. The rule also makes in order only those amendments that have been submitted for printing in the Congressional Record not later than March 9, 2011 or pro forma amendments for the purpose of debate. Provides that each amendment submitted for printing in the Congressional Record may be offered only by the Member who submitted it for printing or their designee, and that each such amendment shall be considered as read if printed.

Amendment Submitted: Rep. Cardoza (D-AZ) submitted an amendment that would require Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) each to carry out a one-year program providing for the refinancing of qualified single-family housing mortgages it owns or guarantees.

Summary: H.R. 830 rescinds the unobligated funding for the FHA Refinance Program and terminates the program. The legislation will void Mortgagee Letter (2010-23) which enacts the FHA Refinance Program under the title I of the Emergency Economic Stabilization Act. The bill restricts the Secretary of Housing and Urban Development from issuing any regulation, order, notice, or mortgagee letter based on or substantially similar to Mortgagee Letter (2010-23). The bill restricts the Secretary of Housing and Urban Development from insuring any mortgage under the FHA Refinance Program except for those mortgages that were already committed to be insured before enactment of this bill. The legislation requires the Secretary of Housing and Urban Development to terminate the FHA Refinance Program.

The legislation also requires the Secretary of Housing and Urban Development conduct a study to determine the extent of usage of the FHA Refinance Program and the impact on covered homeowners. The covered homeowner will include members of the Armed Forces of the United States on active duty, or the spouse or parent of those members, veterans, and individuals eligible to receive a Gold Star lapel pin as a widow, parent, or next of kin of a soldier that died at war. The study is required to take place no later than the 90-days beginning on the date of the enactment of this bill, and the Secretary shall submit to Congress a report detailing the results of the study and identifying best practices, with respect to covered homeowners, that could be applied to the FHA Refinance Program.

Background: The Federal Housing Administration's (FHA's) Refinance Program provides refinancing options through the Federal Housing Administration's mortgage insurance program to homeowners who are "underwater" on their mortgages, owing more in mortgage principal than the property's current value. The program is designed to be funded with $8.12 billion in Troubled Asset Relief Program (TARP) funds that had originally been set aside for the Home Affordable Modification Program (HAMP). The Treasury established an $8 billion letter of credit with Citigroup to be used to provide loss protection on the new FHA loans. The loss protection allows FHA to guarantee the new mortgages without the need for additional appropriations for the cost of the credit subsidy. FHA Mortgagee Letter (2010-23) was the governing document for the program, and provided guidance to lenders on the FHA Refinance Program. To be eligible for a mortgage under this program the homeowners must be current on their existing mortgage, owe more on their mortgage than the house is worth, and have an existing loan that is not insured by FHA. The program was implemented on September 7, 2010, and is scheduled to expire on December 31, 2012. Members may be concerned that the program has experienced little demand since being incepted, and according a recent report by the FHA, only 40 borrowers have been refinanced to date out of the 182 who have applied for the program. Members may also be concerned that the Mutual Mortgage Insurance Fund (MMIF) was well below its statutory capital ratio requirement of 2 percent of FHA, at a ratio of .50 percent, and taxpayers will have to fit the bill for the FHA Refinance Program because of the weakening of the FHA Mutual Mortgage Insurance Fund.

Committee Action: H.R.830 was introduced by Rep. Robert J. Dold (R-IL) on February 28, 2011, and referred to the Committee on Financial Services. The Committee amended the bill on March 7, 2011 and passed the bill by majority vote.

Administration Position: The SAP state: "strongly opposes House passage of H.R. 830, which would eliminate FHA Refinance Program Termination Act. If the President is presented with H.R. 836, his senior advisors would recommend that he veto the bill."

Cost to Taxpayers: CBO estimates that enacting H.R. 830 CBO estimates that enacting the bill would reduce direct spending by $175 million over the 2011-2021 period. For this estimate, CBO assumes that the legislation will be enacted by June 2011.

Does the Bill Expand the Size and Scope of the Federal Government?: No, the legislation reduces the size of government.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: A committee report citing compliance with rules regarding earmarks, limited tax benefits, or limited tariff benefits is not available.

Constitutional Authority: According the author, "Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 1 (relating to the general welfare of the United States); and Article I, Section 8, Clause 3 (relating to the power to regulate interstate commerce)."

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