

103^D CONGRESS
2^D SESSION

H. R. 4390

To amend the National Housing Act to reform and simplify the single family home mortgage insurance program of the Department of Housing and Urban Development, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 1994

Mr. KLEIN (for himself and Mr. VENTO) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To amend the National Housing Act to reform and simplify the single family home mortgage insurance program of the Department of Housing and Urban Development, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FHA Reform Act of
5 1994”.

6 **SEC. 2. MAXIMUM DOLLAR AMOUNT.**

7 Subparagraph (A) of the first sentence of section
8 203(b)(2) of the National Housing Act (12 U.S.C.

1 1709(b)(2)(A) is amended by striking clause (ii) and all
2 that follows through “1992;” and inserting the following:

3 “(ii) 85 percent of the dollar amount
4 limitation determined under section
5 305(a)(2) of the Federal Home Loan
6 Mortgage Corporation Act for a residence
7 of the applicable size;

8 except that the applicable dollar amount limita-
9 tion in effect under this subparagraph (A) for
10 any area may not be less than the greater of—

11 “(I) the dollar amount limitation in
12 effect under this section for the area on
13 the date of enactment of the FHA Reform
14 Act of 1994; or

15 “(II) the applicable average area pur-
16 chase price determined under section
17 143(e)(2) of the Internal Revenue Code of
18 1986, as adjusted by the Secretary to re-
19 flect a single amount using purchase prices
20 for residences that have been previously oc-
21 cupied, and for residences that have not
22 been so occupied, which amount shall be
23 adjusted by the Secretary annually on the
24 basis of the Constant Quality Housing
25 Price Index;”.

1 **SEC. 3. MAXIMUM LOAN-TO-VALUE RATIO.**

2 Section 203(b)(2) of the National Housing Act (12
3 U.S.C. 1709(b)(2)) is amended—

4 (1) by striking “(including such initial service
5 charges, appraisal, inspection, and other fees as the
6 Secretary shall approve)” the first place it appears;

7 (2) by striking subparagraph (B) of the first
8 sentence and inserting the following new subpara-
9 graph:

10 “(B) except as otherwise provided in this
11 paragraph (2), not to exceed an amount equal
12 to the sum of—

13 “(i) 99 percent of \$50,000 of the ap-
14 praised value of the property, as of the
15 date the mortgage is accepted for insur-
16 ance;

17 “(ii) 96 percent of such value in ex-
18 cess of \$50,000 but not in excess of
19 \$125,000; and

20 “(iii) 94 percent of such value in ex-
21 cess of \$125,000.”;

22 (3) by striking the second sentence of the mat-
23 ter that follows subparagraph (B) of the first sen-
24 tence; and

25 (4) by striking penultimate undesignated para-
26 graph.

1 **SEC. 4. SINGLE FAMILY RISK-SHARING MORTGAGE INSUR-**
2 **ANCE PROGRAM.**

3 (a) IN GENERAL.—Title II of the National Housing
4 Act (12 U.S.C. 1707 et seq.) is amended by adding at
5 the end the following new section:

6 “SINGLE FAMILY RISK-SHARING WITH STATE AND LOCAL
7 AGENCIES

8 “SEC. 256. (a) AUTHORITY.—Notwithstanding any
9 other provision of this Act inconsistent with this section,
10 the Secretary may insure and make commitments to in-
11 sure under this section mortgages on single family prop-
12 erties under risk-sharing mortgage insurance programs es-
13 tablished with 1 or more States or agencies. Only mort-
14 gages executed in connection with the acquisition of a sin-
15 gle family property or for the refinancing of a mortgage
16 insured under this section shall be eligible. Under such
17 programs, the Secretary shall insure a portion of the mort-
18 gage and the State or local agency shall insure the remain-
19 der.

20 “(b) PURPOSES.—The purposes of the program
21 under this section are (1) to increase the availability of
22 single family mortgage financing in areas where there is
23 need for mortgage insurance under this Act that cannot
24 be met due to particularly high average median house
25 prices in the area, and (2) to foster arrangements with

1 State and local agencies to share the risk of mortgage in-
2 surance.

3 “(c) APPLICATIONS.—

4 “(1) APPROVAL.—The Secretary may approve
5 an application submitted by a State or local agency
6 to establish a risk-sharing program under this sec-
7 tion, based on a determination that the State or
8 local agency demonstrates that (A) it has the legal
9 authority under State law and, where applicable,
10 local law, to participate in the risk-sharing mortgage
11 insurance program, (B) it has carried out, or has
12 the potential to carry out, a financially sound, effi-
13 cient, and effective mortgage insurance program,
14 and (C) it has the ongoing administrative and finan-
15 cial capacity necessary to carry out a program under
16 this section.

17 “(2) CANCELLATION OF APPROVAL.—For a vio-
18 lation of requirements and procedures under the
19 risk-sharing agreement between the State or local
20 agency and the Secretary or for other good cause,
21 the Secretary may cancel approval of a State or local
22 agency under this section by giving notice to the
23 State or local agency. The cancellation shall be effec-
24 tive upon receipt of the notice by the agency or at
25 a later date specified by the Secretary. A decision by

1 the Secretary to cancel approval shall be final and
2 conclusive and shall not be subject to judicial review.

3 “(d) DELEGATION OF AUTHORITY TO INSURE TO
4 STATE AND LOCAL AGENCIES.—Pursuant to a risk-shar-
5 ing agreement with a State or local agency, the Secretary
6 shall delegate the authority to insure and make commit-
7 ments to insure the portion of mortgages to be insured
8 by the Secretary under this section to the State or local
9 agency. The risk-sharing agreement shall contain such
10 other matters as the Secretary and the State or local agen-
11 cy agree.

12 “(e) UNDERWRITING STANDARDS AND LOAN TERMS
13 AND CONDITIONS.—The State or local agency shall adopt
14 underwriting standards and loan terms and conditions for
15 purposes of underwriting loans to be insured under this
16 section without regard to requirements of this Act other
17 than this section, section 203(g), and section 203(r)(2),
18 subject to review and approval by the Secretary.

19 “(f) MORTGAGE INSURANCE PREMIUMS.—

20 “(1) REQUIREMENT.—The State or local agen-
21 cy shall require the payment of mortgage insurance
22 premiums by mortgagors.

23 “(2) SHARES.—The Secretary shall establish
24 policies and procedures for the sharing of premiums
25 between the Secretary and the State or local agency,

1 based on the relative risk to, and administrative
2 costs of, the Secretary and the State or local agency.
3 The share paid to the Secretary shall not be less
4 than an amount necessary to cover the risk to, and
5 administrative costs of, the Secretary.

6 “(g) LIMITATIONS ON PRINCIPAL MORTGAGE
7 AMOUNT.—

8 “(1) INSURED PORTION.—The portion of the
9 mortgage insured under this section by the Sec-
10 retary may not exceed an amount equal to the lesser
11 of (A) 80 percent of the appraised value of the prop-
12 erty, or (B) the maximum amount the Secretary
13 may insure under section 203(b) of this Act for the
14 area (but not including any amount for a mortgage
15 insurance premium).

16 “(2) TOTAL PRINCIPAL AMOUNT.—The total
17 principal amount of a mortgage insured under this
18 section by the Secretary and the State or local agen-
19 cy (A) shall exceed the maximum amount the Sec-
20 retary may insure under subparagraph (A) of the
21 first sentence of section 203(b)(2) of this Act for the
22 area, and (B) may not exceed the conforming loan
23 limitation determined under section 305(a)(2) of the
24 Federal Home Loan Mortgage Corporation Act for

1 a residence of the applicable size, as adjusted annu-
2 ally.

3 “(3) LOAN-TO-VALUE RATIO.—The principal
4 obligation of a mortgage may not exceed an amount
5 determined in accordance with subparagraph (B) of
6 the first sentence of section 203(b)(2) of this Act
7 plus the mortgage insurance premium.

8 “(4) REFINANCING MORTGAGES.—Notwith-
9 standing paragraph (2)(A) or (3), in the case of refi-
10 nancing of an existing mortgage insured under this
11 section, the principal obligation of a refinancing
12 mortgage may not exceed the outstanding principal
13 balance of the existing mortgage plus any mortgage
14 insurance premium.

15 “(h) INSURANCE CLAIMS.—

16 “(1) PROCEDURE.—In the case of a default and
17 foreclosure of a mortgage insured under this section,
18 the mortgagee may file a claim with the State or
19 local agency for insurance benefits in accordance
20 with requirements established by the State or local
21 agency and approved by the Secretary. The agency
22 shall pay the full amount of the claim owed to the
23 mortgagee. If the loss on the insured mortgage ex-
24 ceeds the amount of insurance by the agency, the

1 Secretary shall reimburse the agency for the dif-
2 ference.

3 “(2) GENERAL INSURANCE FUND.—The insur-
4 ance of a mortgage under this section by the Sec-
5 retary shall be an obligation of the General Insur-
6 ance Fund created pursuant to section 519 of this
7 Act.

8 “(i) INAPPLICABILITY OF THE ASSIGNMENT PRO-
9 GRAM.—Section 230 shall not apply to mortgages insured
10 under the program authorized by this section.

11 “(j) RESTRICTION ON GNMA SECURITIZATION.—
12 The Government National Mortgage Association shall not
13 securitize any loans insured under this section.

14 “(k) DEFINITIONS.—As used in this section:

15 “(1) The term ‘local agency’ means an agency
16 of a unit of general local government, as defined by
17 the Secretary, that has the authority to insure mort-
18 gages and to participate with the Secretary in the
19 single family risk-sharing program under this sec-
20 tion, or an agency or instrumentality of a local agen-
21 cy if the agency or instrumentality has such author-
22 ity.

23 “(2) The term ‘State agency’ means an agency
24 of a State that has the authority to insure mort-
25 gages and to participate with the Secretary in the

1 single family risk-sharing program under this sec-
2 tion, or an agency or instrumentality of a State
3 agency if the agency or instrumentality has such au-
4 thority.

5 “(3) The term ‘single family property’ means a
6 property upon which there is located a dwelling de-
7 signed principally for occupancy by 1 family, and in-
8 cludes a condominium and a cooperative.

9 “(4) The term ‘State’ means the several States,
10 the Commonwealth of Puerto Rico, the District of
11 Columbia, Guam, the Trust Territory of the Pacific
12 Islands, American Samoa, and the Virgin Islands.”.

13 (b) IMPLEMENTATION.—The Secretary of Housing
14 and Urban Development may implement the program au-
15 thorized by the amendment made under subsection (a) by
16 entering into risk-sharing agreements negotiated with
17 State agencies, notwithstanding any otherwise applicable
18 requirement for regulations or notice published in the Fed-
19 eral Register and notwithstanding any otherwise applica-
20 ble regulations of the Secretary.

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