

Calendar No. 703107TH CONGRESS
2^D SESSION**S. 2239**

To amend the National Housing Act to simplify the downpayment requirements for FHA mortgage insurance for single family homebuyers.

IN THE SENATE OF THE UNITED STATES

APRIL 24, 2002

Mr. SARBANES (for himself, Mr. ENSIGN, Mr. SCHUMER, Mr. CORZINE, Mr. ALLARD, Mr. CARPER, Mr. BUNNING, Mrs. CLINTON, Mr. TORRICELLI, Mr. SANTORUM, Mr. BAYH, Mr. REED, Ms. STABENOW, Mr. HARKIN, Mr. JOHNSON, Mr. DODD, Mr. HUTCHINSON, Ms. COLLINS, Mr. BINGAMAN, Mr. MILLER, Mr. DORGAN, Mr. STEVENS, Mr. SMITH of Oregon, Mr. DOMENICI, and Mr. ENZI) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

OCTOBER 15, 2002

Reported by Mr. SARBANES, with amendments

[Omit the part struck through and insert the part printed in *italic*]

A BILL

To amend the National Housing Act to simplify the downpayment requirements for FHA mortgage insurance for single family homebuyers.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “FHA Downpayment
3 Simplification Act of 2002”.

4 **SEC. 2. DOWNPAYMENT SIMPLIFICATION.**

5 Section 203 of the National Housing Act (12 U.S.C.
6 1709) is amended—

7 (1) in subsection (b)—

8 (A) by striking “shall—” and inserting
9 “shall comply with the following:”;

10 (B) in paragraph (2)—

11 (i) in subparagraph (A), in the matter
12 that precedes clause (ii), by moving the
13 margin 2 ems to the right;

14 (ii) in the undesignated matter imme-
15 diately following subparagraph (B)(iii)—

16 (I) by striking the second and
17 third sentences of such matter; and

18 ~~(H) by striking the sixth sentence~~
19 ~~(relating to the increases for costs of~~
20 ~~solar energy systems) and all that fol-~~
21 ~~lows through the end of the last un-~~
22 ~~designated paragraph (relating to dis-~~
23 ~~closure notice); and~~

24 *(II) by striking the seventh sen-*
25 *tence (relating to principal obligation)*
26 *and all that follows through the end of*

1 *the ninth sentence (relating to charges*
2 *and fees); and*

3 *(III) by striking the eleventh sen-*
4 *tence (relating to disclosure notice) and*
5 *all that follows through the end of the*
6 *last undesignated paragraph (relating*
7 *to disclosure notice requirements); and*

8 (iii) by striking subparagraph (B) and
9 inserting the following:

10 “(B) not to exceed an amount equal to the
11 sum of—

12 “(i) the amount of the mortgage in-
13 surance premium paid at the time the
14 mortgage is insured; and

15 “(ii) in the case of—

16 “(I) a mortgage for a property
17 with an appraised value equal to or
18 less than \$50,000, 98.75 percent of
19 the appraised value of the property;

20 “(II) a mortgage for a property
21 with an appraised value in excess of
22 \$50,000 but not in excess of
23 \$125,000, 97.65 percent of the ap-
24 praised value of the property;

1 “(III) a mortgage for a property
2 with an appraised value in excess of
3 \$125,000, 97.15 percent of the ap-
4 praised value of the property; or

5 “(IV) notwithstanding subclauses
6 (II) and (III), a mortgage for a prop-
7 erty with an appraised value in excess
8 of \$50,000 that is located in an area
9 of the State for which the average
10 closing cost exceeds 2.10 percent of
11 the average, for the State, of the sale
12 price of properties located in the State
13 for which mortgages have been exe-
14 cuted, 97.75 percent of the appraised
15 value of the property.”;

16 (C) by transferring and inserting the text
17 of paragraph (10)(B) after the period at the
18 end of the first sentence of the undesignated
19 paragraph that immediately follows paragraph
20 (2)(B) (relating to the definition of “area”);
21 and

22 (D) by striking paragraph (10); and
23 (2) by inserting after subsection (e), the fol-
24 lowing:

1 “(f) DISCLOSURE OF OTHER MORTGAGE PROD-
2 UCTS.—

3 “(1) IN GENERAL.—In conjunction with any
4 loan insured under this section, an original lender
5 shall provide to each prospective borrower a disclo-
6 sure notice that provides a 1-page analysis of mort-
7 gage products offered by that lender and for which
8 the borrower would qualify.

9 “(2) NOTICE.—The notice required under para-
10 graph (1) shall include—

11 “(A) a generic analysis comparing the note
12 rate (and associated interest payments), insur-
13 ance premiums, and other costs and fees that
14 would be due over the life of the loan for a loan
15 insured by the Secretary under subsection (b)
16 with the note rates, insurance premiums (if ap-
17 plicable), and other costs and fees that would
18 be expected to be due if the mortgagor obtained
19 instead other mortgage products offered by the
20 lender and for which the borrower would qualify
21 with a similar loan-to-value ratio in connection
22 with a conventional mortgage (as that term is
23 used in section 305(a)(2) of the Federal Home
24 Loan Mortgage Corporation Act (12 U.S.C.
25 1454(a)(2)) or section 302(b)(2) of the Federal

1 National Mortgage Association Charter Act (12
2 U.S.C. 1717(b)(2)), as applicable), assuming
3 prevailing interest rates; and

4 “(B) a statement regarding when the re-
5 quirement of the mortgagor to pay the mort-
6 gage insurance premiums for a mortgage in-
7 sured under this section would terminate, or a
8 statement that the requirement shall terminate
9 only if the mortgage is refinanced, paid off, or
10 otherwise terminated.”.

11 **SEC. 3. CONFORMING AMENDMENTS.**

12 Section 245 of the National Housing Act (12 U.S.C.
13 1715z-10) is amended—

14 (1) in subsection (a), by striking “, or if the
15 mortgagor” and all that follows through “case of
16 veterans”; and

17 (2) in subsection (b)(3), by striking “, or, if
18 the” and all that follows through “for veterans,”.

19 **SEC. 4. REPEAL OF GNMA GUARANTEE FEE INCREASE.**

20 *Section 972 of the Higher Education Amendments of*
21 *1998 (Public Law 105-244; 112 Stat. 1837) is hereby re-*
22 *pealed.*

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