

110TH CONGRESS  
1ST SESSION

# H. R. 1852

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## AN ACT

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, 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,*

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

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Expanding American Homeownership Act of 2007”.

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

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Maximum principal loan obligation.
- Sec. 4. Extension of mortgage term.
- Sec. 5. Downpayment simplification.
- Sec. 6. Mortgage insurance premiums for zero- and lower-downpayment borrowers.
- Sec. 7. Mortgage insurance premiums for standard and higher-risk borrowers.
- Sec. 8. Risk-based mortgage insurance premiums.
- Sec. 9. Payment incentives.
- Sec. 10. Borrower protections for higher risk mortgages.
- Sec. 11. Refinancing mortgages.
- Sec. 12. Annual reports on new programs and loss mitigation.
- Sec. 13. Insurance for single family homes with licensed child care facilities.
- Sec. 14. Rehabilitation loans.
- Sec. 15. Discretionary action.
- Sec. 16. Insurance of condominiums and manufactured housing.
- Sec. 17. Mutual Mortgage Insurance Fund.
- Sec. 18. Hawaiian home lands and Indian reservations.
- Sec. 19. Conforming and technical amendments.
- Sec. 20. Home equity conversion mortgages.
- Sec. 21. Participation of mortgage brokers and correspondent lenders.
- Sec. 22. Conforming loan limit in disaster areas.
- Sec. 23. Failure to pay amounts from escrow accounts for single family mortgages.
- Sec. 24. Acceptable identification for FHA mortgagors.
- Sec. 25. Pilot program for automated process for borrowers without sufficient credit history.
- Sec. 26. Sense of Congress regarding technology for financial systems.
- Sec. 27. Multifamily housing mortgage limits in high cost areas.
- Sec. 28. Discount sales of multifamily properties.
- Sec. 29. Clarification of disposition of certain properties.
- Sec. 30. Noncompetitive sales by HUD to states and localities.
- Sec. 31. Use of FHA savings for costs of mortgage insurance, housing counseling, FHA technologies, procedures, and processes, and for affordable housing grant fund, and study.
- Sec. 32. Limitation on mortgage insurance premium increases.
- Sec. 33. Civil money penalties for improperly influencing appraisals.
- Sec. 34. Mortgage insurance premium refunds.
- Sec. 35. Savings provision.
- Sec. 36. Implementation.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) one of the primary missions of the Federal  
4 Housing Administration (FHA) single family mort-  
5 gage insurance program is to reach borrowers who  
6 are underserved, or not served, by the existing con-  
7 ventional mortgage marketplace;

8 (2) the FHA program has a long history of in-  
9 novation, which includes pioneering the 30-year self-  
10 amortizing mortgage and a safe-to-seniors reverse  
11 mortgage product, both of which were once thought  
12 too risky to private lenders;

13 (3) the FHA single family mortgage insurance  
14 program traditionally has been a major provider of  
15 mortgage insurance for home purchases;

16 (4) the FHA mortgage insurance premium  
17 structure, as well as FHA's product offerings,  
18 should be revised to reflect FHA's enhanced ability  
19 to determine risk at the loan level and to allow FHA  
20 to better respond to changes in the mortgage mar-  
21 ket;

22 (5) during past recessions, including the oil-  
23 patch downturns in the mid-1980s, FHA remained  
24 a viable credit enhancer and was therefore instru-  
25 mental in preventing a more catastrophic collapse in

1 housing markets and a greater loss of homeowner  
2 equity; and

3 (6) as housing price appreciation slows and in-  
4 terest rates rise, many homeowners and prospective  
5 homebuyers will need the less-expensive, safer fi-  
6 nancing alternative that FHA mortgage insurance  
7 provides.

8 (b) PURPOSES.—The purposes of this Act are—

9 (1) to provide flexibility to FHA to allow for  
10 the insurance of housing loans for low- and mod-  
11 erate-income homebuyers during all economic cycles  
12 in the mortgage market;

13 (2) to modernize the FHA single family mort-  
14 gage insurance program by making it more reflective  
15 of enhancements to loan-level risk assessments and  
16 changes to the mortgage market; and

17 (3) to adjust the loan limits for the single fam-  
18 ily mortgage insurance program to reflect rising  
19 house prices and the increased costs associated with  
20 new construction.

21 **SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

22 Section 203(b)(2) of the National Housing Act (12  
23 U.S.C. 1709(b)(2)(A)) is amended by striking subpara-  
24 graph (A) and inserting the following new subparagraph:

25 “(A) not to exceed the lesser of—

1           “(i) in the case of a 1-family resi-  
2           dence, 125 percent of the median 1-family  
3           house price in the area, as determined by  
4           the Secretary; and in the case of a 2-, 3-  
5           , or 4-family residence, the percentage of  
6           such median price that bears the same  
7           ratio to such median price as the dollar  
8           amount limitation in effect for 2007 under  
9           section 305(a)(2) of the Federal Home  
10          Loan Mortgage Corporation Act (12  
11          U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family  
12          residence, respectively, bears to the dollar  
13          amount limitation in effect for 2007 under  
14          such section for a 1-family residence; or

15          “(ii) 175 percent of the dollar amount  
16          limitation in effect for 2007 under such  
17          section 305(a)(2) for a residence of the ap-  
18          plicable size (without regard to any author-  
19          ity to increase such limitations with re-  
20          spect to properties located in Alaska,  
21          Guam, Hawaii, or the Virgin Islands), ex-  
22          cept that each such maximum dollar  
23          amount shall be adjusted effective January  
24          1 of each year beginning with 2008, by  
25          adding to or subtracting from each such

1 amount (as it may have been previously  
2 adjusted) a percentage thereof equal to the  
3 percentage increase or decrease, during the  
4 most recently completed 12-month or 4-  
5 quarter period ending before the time of  
6 determining such annual adjustment, in an  
7 housing price index developed or selected  
8 by the Secretary for purposes of adjust-  
9 ments under this clause;

10 except that the dollar amount limitation in ef-  
11 fect under this subparagraph for any size resi-  
12 dence for any area may not be less than the  
13 greater of: (I) the dollar amount limitation in  
14 effect under this section for the area on October  
15 21, 1998; or (II) 65 percent of the dollar  
16 amount limitation in effect for 2007 under such  
17 section 305(a)(2) for a residence of the applica-  
18 ble size, as such limitation is adjusted by any  
19 subsequent percentage adjustments determined  
20 under clause (ii) of this subparagraph; and ex-  
21 cept that, if the Secretary determines that mar-  
22 ket conditions warrant such an increase, the  
23 Secretary may, for such period as the Secretary  
24 considers appropriate, increase the maximum  
25 dollar amount limitation determined pursuant

1 to the preceding provisions of this subpara-  
2 graph with respect to any particular size or  
3 sizes of residences, or with respect to residences  
4 located in any particular area or areas, to an  
5 amount that does not exceed the maximum dol-  
6 lar amount then otherwise in effect pursuant to  
7 the preceding provisions of this subparagraph  
8 for such size residence, or for such area (if ap-  
9 plicable), by not more than \$100,000; and”.

10 **SEC. 4. EXTENSION OF MORTGAGE TERM.**

11 Paragraph (3) of section 203(b) of the National  
12 Housing Act (12 U.S.C. 1709(b)(3)) is amended—

13 (1) by striking “thirty-five years” and inserting  
14 “forty years”; and

15 (2) by striking “(or thirty years if such mort-  
16 gage is not approved for insurance prior to construc-  
17 tion)”.

18 **SEC. 5. DOWNPAYMENT SIMPLIFICATION.**

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

21 (1) in paragraph (2)—

22 (A) by striking subparagraph (B) and in-  
23 serting the following new subparagraph:

24 “(B) not to exceed an amount equal to the  
25 sum of—

1           “(i) the amount of the mortgage pre-  
2           mium paid at the time the mortgage is in-  
3           sured; and

4           “(ii)(I) except as provided in sub-  
5           clause (II), 97.75 percent of the appraised  
6           value of the property; or

7           “(II) in the case only of a mortgage  
8           described in subsection (c)(3), the ap-  
9           praised value of the property, plus any ini-  
10          tial service charges, appraisal, inspection,  
11          and other fees in connection with the mort-  
12          gage as approved by the Secretary.”;

13          (B) in the matter after and below subpara-  
14          graph (B), by striking the second sentence (re-  
15          lating to a definition of “average closing cost”)  
16          and all that follows through “title 38, United  
17          States Code.”; and

18          (C) by striking the last undesignated para-  
19          graph (relating to counseling with respect to  
20          the responsibilities and financial management  
21          involved in homeownership); and

22          (2) in paragraph (9)—

23          (A) by striking the paragraph designation  
24          and all that follows through “*Provided further,*  
25          That for” and inserting the following:



1           “(9) Except in the case of a mortgage described  
2           in subsection (c)(3), be executed by a mortgagor who  
3           shall have paid on account of the property, in cash  
4           or its equivalent, at least 3 percent of the Sec-  
5           retary’s estimate of the cost of acquisition (excluding  
6           the mortgage insurance premium paid at the time  
7           the mortgage is insured). For”; and

8           (B) by inserting after the period at the end  
9           the following: “For purposes of this paragraph,  
10          the Secretary shall consider as cash or its  
11          equivalent any amounts gifted by a family  
12          member (as such term is defined in section  
13          201), the mortgagor’s employer or labor union,  
14          or a qualified homeownership assistance entity,  
15          but only if there is no obligation on the part of  
16          the mortgagor to repay the gift: For purposes  
17          of the preceding sentence, the term ‘qualified  
18          homeownership assistance entity’ means any  
19          governmental agency or charity that has a pro-  
20          gram to provide homeownership assistance to  
21          low- and moderate-income families or first-time  
22          home buyers, or any private nonprofit organiza-  
23          tion that has such a program and evidences suf-  
24          ficient fiscal soundness to protect the fiscal in-  
25          tegrity of the Mutual Mortgage Insurance Fund

1 by maintaining a minimum net worth of  
2 \$4,000,000 of acceptable assets.”.

3 **SEC. 6. MORTGAGE INSURANCE PREMIUMS FOR ZERO- AND**  
4 **LOWER-DOWNPAYMENT BORROWERS.**

5 Section 203(c) of the National Housing Act (12  
6 U.S.C. 1709(c) is amended by adding at the end the fol-  
7 lowing new paragraph:

8 “(3) ZERO- AND LOWER-DOWNPAYMENT BOR-  
9 ROWERS.—

10 “(A) APPLICABILITY.—This paragraph shall  
11 apply to any mortgage that—

12 “(i) is secured by a 1- to 4-family dwelling  
13 that will be occupied by the mortgagor as his or  
14 her principal residence;

15 “(ii)(I) is an obligation of the Mutual  
16 Mortgage Insurance Fund or of the General In-  
17 surance Fund pursuant to subsection (v) of this  
18 section; or

19 “(II) is insured under subsection (k) of  
20 this section or section 234(c);

21 “(iii)(I) is executed by a mortgagor who  
22 has not had any present ownership interest in  
23 a principal residence, and whose spouse has not  
24 had any such interest, during 12-month period  
25 ending upon purchase of the residence with the

1 mortgage to which this paragraph applies, ex-  
2 cept that this subclause shall be considered a  
3 program to assist first-time homebuyers for  
4 purposes of section 956 of the Cranston-Gon-  
5 zalez National Affordable Housing Act (42  
6 U.S.C. 12713); or

7 “(II)(aa) is made to pay or prepay, and  
8 fully extinguish, the outstanding obligations  
9 under an existing mortgage or mortgages on  
10 the same property; and

11 “(bb) involves a principal obligation not ex-  
12 ceeding the amount necessary to fully pay or  
13 prepay such outstanding obligations under the  
14 existing mortgage or mortgages, plus any  
15 charges and fees involved in such transaction  
16 and any charges and fees in connection with the  
17 payment or prepayment of such outstanding ob-  
18 ligations.

19 “(iv)(I) involves a principal obligation that  
20 does not comply with subclause (I) of sub-  
21 section (b)(2)(B)(ii) (relating to loan-to-value  
22 ratio); or

23 “(II) is executed by a mortgagor who has  
24 not paid on account of the property, in cash or  
25 its equivalent, at least 3 percent of the Sec-

1           retary’s estimate of the cost of acquisition (ex-  
2           cluding the mortgage insurance premium paid  
3           at the time the mortgage is insured).

4           “(B) UP-FRONT PREMIUMS.—The amount of  
5           any single premium payment collected at the time of  
6           insurance may not exceed 3.0 percent of the amount  
7           of the original insured principal obligation of the  
8           mortgage.

9           “(C) ANNUAL PREMIUMS.—Except as provided  
10          in subparagraph (D), the amount of any annual pre-  
11          mium payment collected may not exceed 0.75 per-  
12          cent of the remaining insured principal obligation of  
13          the mortgage.

14          “(D) ANNUAL REDETERMINATION OF PREMIUM  
15          RATE.—The Secretary shall redetermine the rates of  
16          premiums not less than once every 12 months.”.

17 **SEC. 7. MORTGAGE INSURANCE PREMIUMS FOR STANDARD**  
18 **AND HIGHER-RISK BORROWERS.**

19          Paragraph (2) of section 203(c) of the National  
20          Housing Act (12 U.S.C. 1709(c)(2)) is amended—

21                 (1) by striking the matter that precedes sub-  
22                 paragraph (A) and inserting the following:

23                 “(2) STANDARD-RISK MORTGAGES.—In the case of  
24          any mortgage that is secured by a 1- to 4-family dwelling,  
25          is an obligation of the Mutual Mortgage Insurance Fund

1 or of the General Insurance Fund pursuant to subsection  
2 (v) of this section or is insured under subsection (k) of  
3 this section or section 234(c), for which the mortgagor has  
4 paid on account of the property, in cash or its equivalent,  
5 at least 3 percent of the Secretary's estimate of the cost  
6 of acquisition (excluding the mortgage insurance premium  
7 paid at the time the mortgage is insured), and that in-  
8 volves a principal obligation that complies with subclause  
9 (I) of subsection (b)(2)(B)(ii), the following requirements  
10 shall apply:"; and

11 (2) by adding at the end the following new sub-  
12 paragraph:

13 "(C) HIGHER-RISK BORROWERS.—The Sec-  
14 retary shall establish underwriting standards that  
15 provide for insurance under this section of mort-  
16 gages described in the matter in this paragraph pre-  
17 ceding subparagraph (A) for which the mortgagor  
18 has a credit score equivalent to a FICO score of less  
19 than 560, and may insure, and make commitments  
20 to insure, such mortgages. Such underwriting stand-  
21 ards shall include establishing and collecting pre-  
22 mium payments that comply with the requirements  
23 of this paragraph, except that notwithstanding sub-  
24 paragraph (A), the single premium payment col-  
25 lected at the time of insurance may be established

1 in an amount that does not exceed 3.0 percent of the  
2 amount of the original insured principal obligation of  
3 the mortgage.”.

4 **SEC. 8. RISK-BASED MORTGAGE INSURANCE PREMIUMS.**

5 Section 203(c) of the National Housing Act (12  
6 U.S.C. 1709(c)), as amended by the preceding provisions  
7 of this Act, is further amended by adding at the end the  
8 following new paragraphs:

9 “(4) FLEXIBLE RISK-BASED PREMIUMS.—In the  
10 case of a mortgage referred to in paragraph (2)(C) or  
11 (3)(A) for which the loan application is received by the  
12 mortgagee on or after October 1, 2007:

13 “(A) IN GENERAL.—The Secretary may estab-  
14 lish a mortgage insurance premium structure involv-  
15 ing a single premium payment collected prior to the  
16 insurance of the mortgage or annual payments  
17 (which may be collected on a periodic basis), or both,  
18 subject to the requirements of subparagraph (B) and  
19 paragraph (5). Under such structure, the rate of  
20 premiums for such a mortgage may vary according  
21 to the credit risk associated with the mortgage and  
22 the rate of any annual premium for such a mortgage  
23 may vary during the mortgage term as long as the  
24 basis for determining the variable rate is established  
25 before the execution of the mortgage. The Secretary

1       may change a premium structure established under  
2       this subclause but only to the extent that such  
3       change is not applied to any mortgage already exe-  
4       cuted.

5               “(B) ESTABLISHMENT AND ALTERATION OF  
6       PREMIUM STRUCTURE.—A premium structure shall  
7       be established or changed under subparagraph (A)  
8       only by providing notice to mortgagees and to the  
9       Congress, at least 30 days before the premium  
10       structure is established or changed.

11               “(C) ANNUAL REPORT REGARDING PRE-  
12       MIUMS.—The Secretary shall submit a report to the  
13       Congress annually setting forth the rate structures  
14       and rates established and altered pursuant to this  
15       paragraph during the preceding 12-month period  
16       and describing how such rates were determined.

17               “(5) CONSIDERATIONS FOR PREMIUM STRUCTURE.—  
18       When establishing premiums for mortgages referred to in  
19       paragraph (2)(C), establishing premiums pursuant to  
20       paragraph (3), establishing a premium structure under  
21       paragraph (4), and when changing such a premium struc-  
22       ture, the Secretary shall consider the following:

23               “(A) The effect of the proposed premiums or  
24       structure on the Secretary’s ability to meet the oper-

1 ational goals of the Mutual Mortgage Insurance  
2 Fund as provided in section 202(a).

3 “(B) Underwriting variables.

4 “(C) The extent to which new pricing under the  
5 proposed premiums or structure has potential for ac-  
6 ceptance in the private market.

7 “(D) The administrative capability of the Sec-  
8 retary to administer the proposed premiums or  
9 structure.

10 “(E) The effect of the proposed premiums or  
11 structure on the Secretary’s ability to maintain the  
12 availability of mortgage credit and provide stability  
13 to mortgage markets.

14 “(6) AUTHORITY TO BASE PREMIUM PRICES ON  
15 PRODUCT RISK.—

16 “(A) AUTHORITY.—In establishing premium  
17 rates under paragraphs (2), (3), and (4), the Sec-  
18 retary may provide for variations in such rates ac-  
19 cording to the credit risk associated with the type of  
20 mortgage product that is being insured under this  
21 title, which may include providing that premium  
22 rates differ between fixed-rate mortgages and ad-  
23 justable-rate mortgages insured pursuant to section  
24 251, between mortgages insured pursuant to section  
25 203(b) and mortgages for condominiums insured



1 pursuant to section 234, and between such other  
2 products as the Secretary considers appropriate.

3 “(B) LIMITATION.—Subparagraph (A) may not  
4 be construed to authorize the Secretary to establish,  
5 for any mortgage product, any mortgage insurance  
6 premium rate that does not comply with the require-  
7 ments and limitations under paragraphs (2) through  
8 (5).”.

9 **SEC. 9. PAYMENT INCENTIVES.**

10 Section 203(c) of the National Housing Act (12  
11 U.S.C. 1709(c)), as amended by the preceding provisions  
12 of this Act, is further amended by adding at the end the  
13 following new paragraph:

14 “(7) PAYMENT INCENTIVES.—

15 “(A) AUTHORITY.—With respect to mortgages  
16 referred to in paragraph (2)(C) or (3):

17 “(i) DISCRETIONARY 3-YEAR PAYMENT IN-  
18 CENTIVE.—The Secretary may provide, in the  
19 discretion of the Secretary, that the payment  
20 incentive under subparagraph (B) shall apply  
21 upon the expiration of the 3-year period begin-  
22 ning upon the time of insurance of such a mort-  
23 gage.

24 “(ii) MANDATORY 5-YEAR PAYMENT INCEN-  
25 TIVE.—The Secretary shall provide that the

1 payment incentive under subparagraph (B) ap-  
2 plies upon the expiration of the 5-year period  
3 beginning upon the time of insurance of such a  
4 mortgage.

5 “(B) PAYMENT INCENTIVE.—In the case of any  
6 mortgage to which the payment incentive under this  
7 subparagraph applies, if, during the period referred  
8 to in clause (i) or (ii) of subparagraph (A), as appli-  
9 cable, all mortgage insurance premiums for such  
10 mortgage have been paid on a timely basis, upon the  
11 expiration of such period the Secretary shall—

12 “(i) reduce the amount of the annual pre-  
13 mium payments otherwise due thereafter under  
14 such mortgage—

15 “(I) in the case of a mortgage re-  
16 ferred to in paragraph (3), to an amount  
17 that does not exceed the amount of the  
18 maximum annual premium allowable under  
19 paragraph (2)(B); and

20 “(II) in the case of a mortgage re-  
21 ferred to in paragraph (2)(C), to an  
22 amount that does not exceed the amount of  
23 the annual premium payable at the time of  
24 insurance of the mortgage on a mortgage  
25 of the same product type having the same

1 terms, but for which the mortgagor has a  
2 credit score equivalent to a FICO score of  
3 560 or more; and

4 “(ii) in the case only of a mortgage re-  
5 ferred to in paragraph (2)(C), refund to the  
6 mortgagor, upon payment in full of the obliga-  
7 tion of the mortgage, any amount by which the  
8 single premium payment for such mortgage col-  
9 lected at the time of insurance exceeded the  
10 amount of the single premium payment charge-  
11 able under paragraph (2)(A) at the time of in-  
12 surance for a mortgage of the same product  
13 type having the same terms, but for which the  
14 mortgagor has a credit score equivalent to a  
15 FICO score of 560 or more.”.

16 **SEC. 10. BORROWER PROTECTIONS FOR HIGHER RISK**  
17 **MORTGAGES.**

18 Section 203(b) of the National Housing Act (12  
19 U.S.C. 1709(b)) is amended by adding at the end the fol-  
20 lowing new paragraph:

21 “(10) BORROWER PROTECTIONS FOR CERTAIN  
22 MORTGAGES.—Except as otherwise specifically pro-  
23 vided in this paragraph, in the case of any mortgage  
24 referred to in paragraph (2)(C) or (3) of subsection  
25 (c), the following requirements shall apply:

1 “(A) DISCLOSURES.—

2 “(i) REQUIRED DISCLOSURES.—In ad-  
3 dition to any disclosures that are otherwise  
4 required by law or by the Secretary for  
5 single family mortgages, the mortgagee  
6 shall disclose to the mortgagor the fol-  
7 lowing information:

8 “(I) AT APPLICATION.—At the  
9 time of application for the loan in-  
10 volved in the mortgage, a list of coun-  
11 seling agencies, approved by the Sec-  
12 retary, in the area of the applicant.

13 “(II) AT EXECUTION.—At the  
14 time of entering into the mortgage—

15 “(aa) the terms of the man-  
16 datory 5-year payment incentive  
17 required under subsection  
18 (c)(7)(A)(ii); and

19 “(bb) a statement that the  
20 mortgagor has a right under con-  
21 tract to loss mitigation.

22 “(III) OTHER INFORMATION.—  
23 Any other additional information that  
24 the Secretary determines is appro-  
25 priate to ensure that the mortgagor

1 has received timely and accurate in-  
2 formation about the program under  
3 paragraph (2)(C) or (3) of subsection  
4 (c), as applicable.

5 “(ii) PENALTIES FOR FAILURE TO  
6 PROVIDE REQUIRED DISCLOSURES.—The  
7 Secretary may establish and impose appro-  
8 priate penalties for failure of a mortgagee  
9 to provide any disclosure required under  
10 clause (i).

11 “(iii) NO PRIVATE RIGHT OF AC-  
12 TION.—This subparagraph shall not create  
13 any private right of action on behalf of the  
14 mortgagor.

15 “(B) COUNSELING.—

16 “(i) REQUIREMENT.—The Secretary  
17 shall require that the mortgagor shall have  
18 received counseling that complies with the  
19 requirements of this subparagraph.

20 “(ii) TERMS OF COUNSELING.—Coun-  
21 seling under this subparagraph shall be  
22 provided—

23 “(I) prior to closing for the loan  
24 involved in the mortgage;

1                   “(II) by a third party (other than  
2                   the mortgagee) who is approved by  
3                   the Secretary, with respect to the re-  
4                   sponsibilities and financial manage-  
5                   ment involved in homeownership;

6                   “(III) on an individual basis to  
7                   the mortgagor by a representative of  
8                   the approved third-party counseling  
9                   entity; and

10                   “(IV) in person, to the maximum  
11                   extent possible.

12                   “(iii) TOPICS.—In the case only of a  
13                   mortgage referred to in subsection (c)(3),  
14                   counseling under this subparagraph shall  
15                   include providing to, and discussing with,  
16                   the mortgagor—

17                   “(I) information regarding home-  
18                   ownership options other than a mort-  
19                   gage that is subject to this paragraph,  
20                   other zero- or low-downpayment mort-  
21                   gage options that are or may become  
22                   available to the mortgagor, the finan-  
23                   cial implications of entering into a  
24                   mortgage (including a mortgage sub-  
25                   ject to this paragraph), and any other

1 information that the Secretary may  
2 require;

3 “(II) a written disclosure that  
4 sets forth the amount and the per-  
5 centage by which a property with a  
6 mortgage that is subject to this para-  
7 graph must appreciate for the mort-  
8 gator to recover the principal amount  
9 of the mortgage, the costs financed  
10 under the mortgage, and the esti-  
11 mated costs involved in selling the  
12 property, if the mortgagor were to sell  
13 the property on each of the second,  
14 fifth, and tenth anniversaries of the  
15 mortgage; and

16 “(III) a written disclosure, as the  
17 Secretary shall require, that specifies  
18 the effective cost to a mortgagor of  
19 borrowing the amount by which the  
20 maximum amount that could be bor-  
21 rowed under a mortgage that is re-  
22 ferred to in subsection (c)(3) exceeds  
23 the maximum amount that could be  
24 borrowed under a mortgage insured  
25 under this subsection that is not a

1 mortgage referred to in such sub-  
2 section, based on average closing costs  
3 with respect to such amount, as deter-  
4 mined by the Secretary; such cost  
5 shall be expressed as an annual inter-  
6 est rate over the first 5 years of a  
7 mortgage; the disclosure required  
8 under this subclause may be provided  
9 in conjunction with the notice re-  
10 quired under subsection (f).

11 “(iv) 2- AND 3-FAMILY RESI-  
12 DENCES.—In the case of a mortgage in-  
13 volving a 2- or 3-family residence, coun-  
14 seling under this subparagraph shall in-  
15 clude (in addition to the information re-  
16 quired under clause (iii)) information re-  
17 garding real estate property management.

18 “(C) NOTICE OF FORECLOSURE PREVEN-  
19 TION COUNSELING AVAILABILITY.—

20 “(i) WRITTEN AGREEMENT.—To be  
21 eligible for insurance under this subsection,  
22 the mortgagee shall provide the mortgagor,  
23 at the time of the execution of the mort-  
24 gage, a written agreement which shall be  
25 signed by the mortgagor and under which



1 the mortgagee shall provide notice de-  
2 scribed in clause (ii) to a housing coun-  
3 seling entity that has agreed to provide the  
4 notice and counseling required under  
5 clause (iii) and is approved by the Sec-  
6 retary.

7 “(ii) NOTICE TO COUNSELING AGEN-  
8 CY.—The notice described in this clause,  
9 with respect to a mortgage, is notice, pro-  
10 vided at the earliest time practicable after  
11 the mortgagor becomes 60 days delinquent  
12 with respect to any payment due under the  
13 mortgage, that the mortgagor is so delin-  
14 quent and of how to contact the mort-  
15 gagor. Such notice may only be provided  
16 once with respect to each delinquency pe-  
17 riod for a mortgage.

18 “(iii) NOTICE TO MORTGAGOR.—Upon  
19 notice from a mortgagee that a mortgagor  
20 is 60 days delinquent with respect to pay-  
21 ments due under the mortgage, the hous-  
22 ing counseling entity shall at the earliest  
23 time practicable notify the mortgagor of  
24 such delinquency, that the entity makes  
25 available foreclosure prevention counseling

1 that may assist the mortgagor in resolving  
2 the delinquency, and of how to contact the  
3 entity to arrange for such counseling.

4 “(iv) ABILITY TO CURE.—Failure to  
5 provide the written agreement required  
6 under clause (i) may be corrected by send-  
7 ing such agreement to the mortgagor not  
8 later than the earliest time practicable  
9 after the mortgagor first becomes 60 days  
10 delinquent with respect to payments due  
11 under the mortgage. Insurance provided  
12 under this subsection may not be termi-  
13 nated and penalties for such failure may  
14 not be prospectively or retroactively im-  
15 posed if such failure is corrected in accord-  
16 ance with this clause.

17 “(v) PENALTIES FOR FAILURE TO  
18 PROVIDE AGREEMENT.—The Secretary  
19 may establish and impose appropriate pen-  
20 alties for failure of a mortgagee to provide  
21 the written agreement required under  
22 clause (i).

23 “(vi) LIMITATION ON LIABILITY OF  
24 MORTGAGEE.—A mortgagee shall not incur  
25 any liability or penalties for any failure of

1 a housing counseling entity to provide no-  
2 tice under clause (iii).

3 “(vii) NO PRIVATE RIGHT OF AC-  
4 TION.—This subparagraph shall not create  
5 any private right of action on behalf of the  
6 mortgagor.

7 “(viii) DELINQUENCY PERIOD.—For  
8 purposes of this subparagraph, the term  
9 ‘delinquency period’ means, with respect to  
10 a mortgage, a period that begins upon the  
11 mortgagor becoming delinquent with re-  
12 spect to payments due under the mortgage  
13 and ends upon the first subsequent occur-  
14 rence of such payments under the mort-  
15 gage becoming current or the property  
16 subject to the mortgage being foreclosed or  
17 otherwise disposed of.”.

18 **SEC. 11. REFINANCING MORTGAGES.**

19 Section 203 of the National Housing Act (12 U.S.C.  
20 1709) is amended by inserting after subsection (k) the fol-  
21 lowing new subsection:

22 “(l) REFINANCING MORTGAGES.—

23 “(1) ESTABLISHMENT OF UNDERWRITING  
24 STANDARDS.—The Secretary shall establish under-  
25 writing standards that provide for insurance under

1 this title of mortgage loans, and take actions to fa-  
 2 cilitate the availability of mortgage loans insured  
 3 under this title, for qualified borrowers that are  
 4 made for the purpose of paying or prepaying out-  
 5 standing obligations under existing mortgages for  
 6 borrowers that—

7 “(A) have existing mortgages with adverse  
 8 terms or rates, or

9 “(B) do not have access to mortgages at  
 10 reasonable rates and terms for such  
 11 refinancings due to adverse market conditions.

12 “(2) INSURANCE OF MORTGAGES TO BOR-  
 13 ROWERS IN DEFAULT OR AT RISK OF DEFAULT.—In  
 14 facilitating insurance for such mortgages, the Sec-  
 15 retary may insure mortgages to borrowers who are,  
 16 currently in default or at imminent risk of being in  
 17 default, but only if such loans meet reasonable un-  
 18 derwriting standards established by the Secretary.”.

19 **SEC. 12. ANNUAL REPORTS ON NEW PROGRAMS AND LOSS**  
 20 **MITIGATION.**

21 Section 540(b)(2) of the National Housing Act (12  
 22 U.S.C. 1735f–18(b)(2)) is amended, by adding at the end  
 23 the following new subparagraphs:

24 “(C) The rates of default and foreclosure  
 25 for the applicable collection period for mort-

1 gages insured pursuant to the programs for  
2 mortgage insurance under paragraphs (2)(C)  
3 and (3) of section 203(e).

4 “(D) Actions taken by the Secretary dur-  
5 ing the applicable collection period with respect  
6 to loss mitigation on mortgages insured pursu-  
7 ant to section 203.”.

8 **SEC. 13. INSURANCE FOR SINGLE FAMILY HOMES WITH LI-**  
9 **CENSED CHILD CARE FACILITIES.**

10 (a) DEFINITION OF CHILD CARE FACILITY.—Section  
11 201 of the National Housing Act (12 U.S.C. 1707) is  
12 amended by adding at the end the following new sub-  
13 section:

14 “(g) The term ‘child care facility’ means a facility  
15 that—

16 “(A) has as its purpose the care of children who  
17 are less than 12 years of age; and

18 “(B) is licensed or regulated by the State in  
19 which it is located (or, if there is no State law pro-  
20 viding for such licensing and regulation by the State,  
21 by the municipality or other political subdivision in  
22 which the facility is located).

23 Such term does not include facilities for school-age chil-  
24 dren primarily for use during normal school hours.”.

1 (b) INCREASE IN MAXIMUM MORTGAGE AMOUNT  
2 LIMITATION.—Paragraph (2) of section 203(b) of the Na-  
3 tional Housing Act (12 U.S.C. 1709(b)(2)), as amended  
4 by the preceding provisions of this Act, is further amended  
5 by adding at end the following new undesignated para-  
6 graph:

7 “Notwithstanding any other provision of this  
8 paragraph, the amount that may be insured under  
9 this section may be increased by up to 25 percent  
10 if such increase is necessary to account for the in-  
11 creased cost of the residence due to an increased  
12 need of space in the residence for locating and oper-  
13 ating a child care facility (as such term is defined  
14 in section 201) within the residence, but only if a  
15 valid license or certificate of compliance with regula-  
16 tions described in section 201(g)(2) has been issued  
17 for such facility as of the date of the execution of  
18 the mortgage, and only if such increase in the  
19 amount insured is proportional to the amount of  
20 space of such residence that will be used for such fa-  
21 cility.”.

22 **SEC. 14. REHABILITATION LOANS.**

23 Subsection (k) of section 203 of the National Hous-  
24 ing Act (12 U.S.C. 1709(k)) is amended—

1 (1) in paragraph (1), by striking “on” and all  
2 that follows through “1978”; and

3 (2) in paragraph (5)—

4 (A) by striking “General Insurance Fund”  
5 the first place it appears and inserting “Mutual  
6 Mortgage Insurance Fund”; and

7 (B) in the second sentence, by striking the  
8 comma and all that follows through “General  
9 Insurance Fund”.

10 **SEC. 15. DISCRETIONARY ACTION.**

11 The National Housing Act is amended—

12 (1) in subsection (e) of section 202 (12 U.S.C.  
13 1708(e))—

14 (A) in paragraph (3)(B), by striking “sec-  
15 tion 202(e) of the National Housing Act” and  
16 inserting “this subsection”; and

17 (B) by redesignating such subsection as  
18 subsection (f);

19 (2) by striking paragraph (4) of section 203(s)  
20 (12 U.S.C. 1709(s)(4)) and inserting the following  
21 new paragraph:

22 “(4) the Secretary of Agriculture;” and

23 (3) by transferring subsection (s) of section 203  
24 (as amended by paragraph (2) of this section) to  
25 section 202, inserting such subsection after sub-

1 section (d) of section 202, and redesignating such  
2 subsection as subsection (e).

3 **SEC. 16. INSURANCE OF CONDOMINIUMS AND MANUFAC-**  
4 **TURED HOUSING.**

5 (a) IN GENERAL.—Section 234 of the National  
6 Housing Act (12 U.S.C. 1715y) is amended—

7 (1) in subsection (c)—

8 (A) in the first sentence—

9 (i) by striking “and” before “(2)”;

10 and

11 (ii) by inserting before the period at  
12 the end the following: “, and (3) the  
13 project has a blanket mortgage insured by  
14 the Secretary under subsection (d)”;

15 (B) in clause (B) of the third sentence, by  
16 striking “thirty-five years” and inserting “forty  
17 years”; and

18 (2) in subsection (g), by striking “, except  
19 that” and all that follows and inserting a period.

20 (b) DEFINITION OF MORTGAGE.—Section 201(a) of  
21 the National Housing Act (12 U.S.C. 1707(a)) is amend-  
22 ed—

23 (1) before “ a first mortgage” insert “(A)”;



1           (2) by striking “or on a leasehold (1)” and in-  
2           serting “(B) a first mortgage on a leasehold on real  
3           estate (i)”;

4           (3) by striking “or (2)” and inserting “, or  
5           (ii)”;

6           (4) by inserting before the semicolon the fol-  
7           lowing: “, or (C) a first mortgage given to secure the  
8           unpaid purchase price of a fee interest in, or long-  
9           term leasehold interest in, real estate consisting of  
10          a one-family unit in a multifamily project, including  
11          a project in which the dwelling units are attached,  
12          or are manufactured housing units, semi-detached,  
13          or detached, and an undivided interest in the com-  
14          mon areas and facilities which serve the project”.

15          (c) DEFINITION OF REAL ESTATE.—Section 201 of  
16          the National Housing Act (12 U.S.C. 1707), as amended  
17          by the preceding provisions of this Act, is further amended  
18          by adding at the end the following new subsection:

19          “(h) The term ‘real estate’ means land and all nat-  
20          ural resources and structures permanently affixed to the  
21          land, including residential buildings and stationary manu-  
22          factured housing. The Secretary may not require, for  
23          treatment of any land or other property as real estate for  
24          purposes of this title, that such land or property be treated  
25          as real estate for purposes of State taxation.”.

1 **SEC. 17. MUTUAL MORTGAGE INSURANCE FUND.**

2 (a) IN GENERAL.—Subsection (a) of section 202 of  
3 the National Housing Act (12 U.S.C. 1708(a)) is amended  
4 to read as follows:

5 “(a) MUTUAL MORTGAGE INSURANCE FUND.—

6 “(1) ESTABLISHMENT.—Subject to the provi-  
7 sions of the Federal Credit Reform Act of 1990,  
8 there is hereby created a Mutual Mortgage Insur-  
9 ance Fund (in this title referred to as the ‘Fund’),  
10 which shall be used by the Secretary to carry out the  
11 provisions of this title with respect to mortgages in-  
12 sured under section 203. The Secretary may enter  
13 into commitments to guarantee, and may guarantee,  
14 such insured mortgages.

15 “(2) LIMIT ON LOAN GUARANTEES.—The au-  
16 thority of the Secretary to enter into commitments  
17 to guarantee such insured mortgages shall be effec-  
18 tive for any fiscal year only to the extent that the  
19 aggregate original principal loan amount under such  
20 mortgages, any part of which is guaranteed, does  
21 not exceed the amount specified in appropriations  
22 Acts for such fiscal year.

23 “(3) FIDUCIARY RESPONSIBILITY.—The Sec-  
24 retary has a responsibility to ensure that the Mutual  
25 Mortgage Insurance Fund remains financially sound.

1           “(4) ANNUAL INDEPENDENT ACTUARIAL  
2 STUDY.—The Secretary shall provide for an inde-  
3 pendent actuarial study of the Fund to be conducted  
4 annually, which shall analyze the financial position  
5 of the Fund. The Secretary shall submit a report  
6 annually to the Congress describing the results of  
7 such study and assessing the financial status of the  
8 Fund. The report shall recommend adjustments to  
9 underwriting standards, program participation, or  
10 premiums, if necessary, to ensure that the Fund re-  
11 mains financially sound.

12           “(5) QUARTERLY REPORTS.—During each fiscal  
13 year, the Secretary shall submit a report to the Con-  
14 gress for each quarter, which shall specify for mort-  
15 gages that are obligations of the Fund—

16           “(A) the cumulative volume of loan guar-  
17 antee commitments that have been made during  
18 such fiscal year through the end of the quarter  
19 for which the report is submitted;

20           “(B) the types of loans insured, cat-  
21 egorized by risk;

22           “(C) any significant changes between ac-  
23 tual and projected claim and prepayment activ-  
24 ity;

1           “(D) projected versus actual loss rates;  
2           and

3           “(E) updated projections of the annual  
4           subsidy rates to ensure that increases in risk to  
5           the Fund are identified and mitigated by ad-  
6           justments to underwriting standards, program  
7           participation, or premiums, and the financial  
8           soundness of the Fund is maintained.

9           The first quarterly report under this paragraph shall  
10          be submitted on the last day of the first quarter of  
11          fiscal year 2008, or upon the expiration of the 90-  
12          day period beginning on the date of the enactment  
13          of the Expanding American Homeownership Act of  
14          2007, whichever is later.

15          “(6) ADJUSTMENT OF PREMIUMS.—If, pursu-  
16          ant to the independent actuarial study of the Fund  
17          required under paragraph (5), the Secretary deter-  
18          mines that the Fund is not meeting the operational  
19          goals established under paragraph (8) or there is a  
20          substantial probability that the Fund will not main-  
21          tain its established target subsidy rate, the Secretary  
22          may either make programmatic adjustments under  
23          section 203 as necessary to reduce the risk to the  
24          Fund, or make appropriate premium adjustments.

1           “(7) OPERATIONAL GOALS.—The operational  
2 goals for the Fund are—

3           “(A) to charge borrowers under loans that  
4 are obligations of the Fund an appropriate pre-  
5 mium for the risk that such loans pose to the  
6 Fund;

7           “(B) to minimize the default risk to the  
8 Fund and to homeowners;

9           “(C) to curtail the impact of adverse selec-  
10 tion on the Fund; and

11           “(D) to meet the housing needs of the bor-  
12 rowers that the single family mortgage insur-  
13 ance program under this title is designed to  
14 serve.”.

15       (b) OBLIGATIONS OF FUND.—The National Housing  
16 Act is amended as follows:

17           (1) HOMEOWNERSHIP VOUCHER PROGRAM  
18 MORTGAGES.—In section 203(v) (12 U.S.C.  
19 1709(v))—

20           (A) by striking “Notwithstanding section  
21 202 of this title, the” and inserting “The”; and

22           (B) by striking “General Insurance Fund”  
23 the first place such term appears and all that  
24 follows and inserting “Mutual Mortgage Insur-  
25 ance Fund.”.

1           (2) HOME EQUITY CONVERSION MORTGAGES.—  
2           Section 255(i)(2)(A) of the National Housing Act  
3           (12 U.S.C. 1715z–20(i)(2)(A)) is amended by strik-  
4           ing “General Insurance Fund” and inserting “Mu-  
5           tual Mortgage Insurance Fund”.

6           (c) CONFORMING AMENDMENTS.—The National  
7           Housing Act is amended—

8           (1) in section 205 (12 U.S.C. 1711), by striking  
9           subsections (g) and (h); and

10           (2) in section 519(e) (12 U.S.C. 1735c(e)), by  
11           striking “203(b)” and all that follows through  
12           “203(i)” and inserting “203, except as determined  
13           by the Secretary”.

14   **SEC. 18. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**  
15                                   **TIONS.**

16           (a) HAWAIIAN HOME LANDS.—Section 247(c) of the  
17           National Housing Act (12 U.S.C. 1715z–12) is amend-  
18           ed—

19           (1) by striking “General Insurance Fund estab-  
20           lished in section 519” and inserting “Mutual Mort-  
21           gage Insurance Fund”; and

22           (2) in the second sentence, by striking “(1) all  
23           references” and all that follows through “and (2)”.

1 (b) INDIAN RESERVATIONS.—Section 248(f) of the  
2 National Housing Act (12 U.S.C. 1715z–13) is amend-  
3 ed—

4 (1) by striking “General Insurance Fund” the  
5 first place it appears and all that follows through  
6 “519” and inserting “Mutual Mortgage Insurance  
7 Fund”; and

8 (2) in the second sentence, by striking “(1) all  
9 references” and all that follows through “and (2)”.

10 **SEC. 19. CONFORMING AND TECHNICAL AMENDMENTS.**

11 (a) REPEALS.—The following provisions of the Na-  
12 tional Housing Act are repealed:

13 (1) Subsection (i) of section 203 (12 U.S.C.  
14 1709(i)).

15 (2) Subsection (o) of section 203 (12 U.S.C.  
16 1709(o)).

17 (3) Subsection (p) of section 203 (12 U.S.C.  
18 1709(p)).

19 (4) Subsection (q) of section 203 (12 U.S.C.  
20 1709(q)).

21 (5) Section 222 (12 U.S.C. 1715m).

22 (6) Section 237 (12 U.S.C. 1715z–2).

23 (7) Section 245 (12 U.S.C. 1715z–10).

24 (b) DEFINITION OF AREA.—Section 203(u)(2)(A) of  
25 the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is

1 amended by striking “shall” and all that follows and in-  
2 serting “means a metropolitan statistical area as estab-  
3 lished by the Office of Management and Budget;”.

4 (c) DEFINITION OF STATE.—Section 201(d) of the  
5 National Housing Act (12 U.S.C. 1707(d)) is amended by  
6 striking “the Trust Territory of the Pacific Islands” and  
7 inserting “the Commonwealth of the Northern Mariana  
8 Islands”.

9 **SEC. 20. HOME EQUITY CONVERSION MORTGAGES.**

10 (a) IN GENERAL.—Section 255 of the National  
11 Housing Act (12 U.S.C. 1715z–20) is amended—

12 (1) in subsection (b)(2), insert “‘real estate,’”  
13 after “‘mortgagor,’”;

14 (2) in subsection (b)(4), by striking subpara-  
15 graph (B) and inserting the following new subpara-  
16 graph:

17 “(B) under a lease that has a term that  
18 ends no earlier than the minimum number of  
19 years, as specified by the Secretary, beyond the  
20 actuarial life expectancy of the mortgagor or co-  
21 mortgagor, whichever is the later date.”.

22 (3) in subsection (g)—

23 (A) by striking the first sentence; and

24 (B) by striking “established under section  
25 203(b)(2)” and all that follows through “lo-



1 cated” and inserting “limitation established  
2 under section 305(a)(2) of the Federal Home  
3 Loan Mortgage Corporation Act for a 1-family  
4 residence”;

5 (4) in subsection (i)(1)(C), by striking “limita-  
6 tions” and inserting “limitation”; and

7 (5) by adding at the end the following new sub-  
8 section:

9 “(o) AUTHORITY TO INSURE HOME PURCHASE  
10 MORTGAGE.—

11 “(1) IN GENERAL.—Notwithstanding any other  
12 provision in this section, the Secretary may insure,  
13 upon application by a mortgagee, a home equity con-  
14 version mortgage upon such terms and conditions as  
15 the Secretary may prescribe, when the primary pur-  
16 pose of the home equity conversion mortgage is to  
17 enable an elderly mortgagor to purchase a 1- to 4-  
18 family dwelling in which the mortgagor will occupy  
19 or occupies one of the units.

20 “(2) LIMITATION ON PRINCIPAL OBLIGATION.—

21 A home equity conversion mortgage insured pursu-  
22 ant to paragraph (1) shall involve a principal obliga-  
23 tion that does not exceed the dollar amount limita-  
24 tion determined under section 305(a)(2) of the Fed-

1       eral Home Loan Mortgage Corporation Act for a  
2       residence of the applicable size.”.

3       (b) MORTGAGES FOR COOPERATIVES.—Subsection  
4 (b) of section 255 of the National Housing Act (12 U.S.C.  
5 1715z–20(b)) is amended—

6           (1) in paragraph (4)—

7                (A) by inserting “a first or subordinate  
8                mortgage or lien” before “on all stock”;

9                (B) by inserting “unit” after “dwelling”;

10              and

11               (C) by inserting “a first mortgage or first  
12                lien” before “on a leasehold”; and

13           (2) in paragraph (5), by inserting “a first or  
14           subordinate lien on” before “all stock”.

15       (c) LIMITATION ON ORIGINATION FEES.—Section  
16 255 of the National Housing Act (12 U.S.C. 1715z–20),  
17 as amended by the preceding provisions of this section,  
18 is further amended—

19           (1) by redesignating subsections (k), (l), and  
20           (m) as subsections (l), (m), and (n), respectively;  
21           and

22           (2) by inserting after subsection (j) the fol-  
23           lowing new subsection:

24           “(k) LIMITATION ON ORIGINATION FEES.—The Sec-  
25           retary shall establish limits on the origination fee that may

1 be charged to a mortgagor under a mortgage insured  
2 under this section, which limitations shall—

3 “(1) equal to 1.5 percent of the maximum claim  
4 amount of the mortgage, except that the Secretary  
5 may adjust the limitation under this paragraph on  
6 the basis of an analysis of: (A) costs to mortgagors;  
7 and (B) the impact on the reverse mortgage market;

8 “(2) be subject to a minimum allowable  
9 amount;

10 “(3) provide that the origination fee may be  
11 fully financed with the mortgage;

12 “(4) include any fees paid to correspondent  
13 mortgagees approved by the Secretary or to mort-  
14 gage brokers; and

15 “(5) apply beginning upon the date that the  
16 maximum dollar amount limitation on the benefits of  
17 insurance under this section is first increased pursu-  
18 ant to the amendments made by section 19(a)(2) of  
19 the Expanding American Homeownership Act of  
20 2007.”.

21 (d) STUDY REGARDING MORTGAGE INSURANCE PRE-  
22 MIUMS.—The Secretary of Housing and Urban Develop-  
23 ment shall conduct a study regarding mortgage insurance  
24 premiums charged under the program under section 255  
25 of the National Housing Act (12 U.S.C. 1715z–20) for

1 insurance of home equity conversion mortgages to analyze  
2 and determine the effects of reducing the amounts of such  
3 premiums from the amounts charged as of the date of the  
4 enactment of this Act on: (1) costs to mortgagors; and  
5 (2) the financial soundness of the program. Not later than  
6 the expiration of the 12-month period beginning on the  
7 date of the enactment of this Act, the Secretary shall sub-  
8 mit a report to the Congress setting forth the results and  
9 conclusions of the study.

10 **SEC. 21. PARTICIPATION OF MORTGAGE BROKERS AND**  
11 **CORRESPONDENT LENDERS.**

12 (a) IN GENERAL.—

13 (1) DEFINITIONS.—

14 (A) IN GENERAL.—Section 201 of the Na-  
15 tional Housing Act (12 U.S.C. 1707), as  
16 amended by the preceding provisions of this  
17 Act, is further amended—

18 (i) by striking “As used in section 203  
19 of this title—” and inserting “As used in  
20 this title and for purposes of participation  
21 in insurance programs under this title, ex-  
22 cept as specifically provided otherwise, the  
23 following definitions shall apply:”;

24 (ii) by striking subsection (b) and in-  
25 serting the following:

1           “(2) The term ‘mortgagee’ means any of the  
2 following entities, and its successors and assigns, to  
3 the extent such entity is approved by the Secretary:

4           “(A) QUALIFICATION BY AUDIT AND NET  
5 WORTH.—A lender who—

6           “(i) closes a mortgage in its name and  
7 underwrites the mortgage, services the  
8 mortgage, or both underwrites and services  
9 the mortgage;

10           “(ii) submits to the Secretary such fi-  
11 nancial audits performed in accordance  
12 with the standards for financial audits of  
13 the Government Auditing Standards issued  
14 by the Comptroller General of the United  
15 States;

16           “(iii) meet the minimum net worth re-  
17 quirement that the Secretary shall estab-  
18 lish;

19           “(iv) is licensed, under the laws of the  
20 State in which the property that is subject  
21 to the mortgage is located, to act as a  
22 lender in such State; and

23           “(v) complies with such other require-  
24 ments as the Secretary may establish.

1           “(B) QUALIFICATION OF CORRESPONDENT  
2           LENDERS BY SURETY BOND.—Except as pro-  
3           vided in subparagraph (D), a correspondent  
4           lender who—

5                   “(i) closes a mortgage in its name,  
6                   but does not underwrite and does not serv-  
7                   ice the mortgage;

8                   “(ii) is licensed, under the laws of the  
9                   State in which the property that is subject  
10                  to the mortgage is located, to act as a cor-  
11                  respondent lender in such State;

12                  “(iii) posts a surety bond, in lieu of  
13                  any requirement to provide audited finan-  
14                  cial statements or meet a minimum net  
15                  worth requirement, that—

16                           “(I) is in a form satisfactory to  
17                           the Secretary;

18                           “(II) is in an aggregate amount,  
19                           to be determined by the Secretary  
20                           based on the aggregate principal  
21                           amount of single-family mortgages in-  
22                           sured under this title that are placed  
23                           in a calendar year, which shall not be  
24                           less than \$50,000 or more than  
25                           \$100,000, as such amount is adjusted

1 annually by the Secretary (as deter-  
2 mined by the Secretary) by the  
3 change for such year in the Consumer  
4 Price Index for All Urban Consumers  
5 published monthly by the Bureau of  
6 Labor Statistics of the Department of  
7 Labor;

8 “(III) guarantees payment of any  
9 liability of the correspondent lender  
10 arising from its participation in the  
11 program, up to the penal sum of the  
12 surety bond; without regard to the  
13 number of years the bond remains in  
14 effect, the number of claims or claim-  
15 ants, and the number of premiums  
16 paid, in no event shall the aggregate  
17 liability of the surety exceed the penal  
18 sum of the bond; and

19 “(IV) may be cancelled by the  
20 surety as to future liability by giving  
21 30 days notice in writing to the Sec-  
22 retary, except that any such cancella-  
23 tion shall not alter the liability of the  
24 surety for actions of the cor-

1           respondent lender prior to the effective date of the cancellation; and

2           “(iv) complies with such other requirements as the Secretary may establish, except that the Secretary shall not require any minimum net worth or certified financial statements.

3           “(C) QUALIFICATION OF BROKERS BY SURETY BOND.—Except as provided in subparagraph (D), a mortgage broker who—

4           “(i) closes the mortgage in the name of the lender, and does not underwrite and does not service the mortgage;

5           “(ii) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a mortgage broker in such State;

6           “(iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

7           “(iv) complies with such other requirements as the Secretary may establish, except that the Secretary shall not require any minimum net worth or certified financial statements.



1           “(D) CONDITIONS FOR CONTINUED APPLI-  
2           CABILITY.—(i) Subparagraphs (B) and (C)  
3           shall continue to apply after the expiration of  
4           the 5-year period beginning on the date of the  
5           enactment of the Expanding American Home-  
6           ownership Act of 2007 only if, after the expira-  
7           tion of the 4-year period beginning upon such  
8           date of enactment and taking into consideration  
9           the report submitted in accordance with section  
10          19(b) of such Act, the Secretary—

11                   “(I) makes a determination that such  
12                   subparagraphs provide protection to mort-  
13                   gage insurance funds for mortgages in-  
14                   sured under this title that are comparable  
15                   to the protection provided by the require-  
16                   ments for mortgagees under this title as in  
17                   effect immediately before the enactment of  
18                   such Act; and

19                   “(II) publishes in the Federal Reg-  
20                   ister a notice of such determination and an  
21                   order extending the applicability of such  
22                   subparagraphs.

23                   “(ii) If, taking into consideration such re-  
24                   port, the Secretary makes a determination after  
25                   the expiration of such 4-year period that sub-

1 paragraphs (B) and (C) do not provide protec-  
2 tion as referred to in clause (i) of this subpara-  
3 graph, the Secretary may, by order published in  
4 the Federal Register, provide for the participa-  
5 tion, after the expiration of the 5-year period  
6 referred to in clause (i), of correspondent lend-  
7 ers and mortgage brokers as mortgagees in the  
8 insurance programs under this title in accord-  
9 ance with subparagraphs (B) and (C) as modi-  
10 fied by the Secretary as the Secretary considers  
11 appropriate to provide such protection.

12 “(E) ADDITIONAL MORTGAGE BROKER RE-  
13 QUIREMENTS.—

14 “(i) In addition to the requirements  
15 under subparagraphs (A) and (C) and to  
16 duties imposed under other statutes or  
17 common law, to be eligible as a mortgagee  
18 under this section, a broker shall—

19 “(I) safeguard and account for  
20 any money handled for the borrower;

21 “(II) follow reasonable and lawful  
22 instructions from the borrower; and

23 “(III) act with reasonable skill,  
24 care, and diligence.

1           “(ii) For purposes of this subpara-  
2 graph, a loan correspondent shall be con-  
3 sidered to be a mortgage broker.

4           “(iii) The duties and standards of  
5 care created in this subparagraph shall not  
6 be waived or modified.

7           “(iv) Any broker found by the Sec-  
8 retary to have violated the requirements of  
9 this subparagraph may not originate mort-  
10 gage loans insured under this title.

11           “(3) The term ‘mortgagor’ includes the original  
12 borrower under a mortgage and the successors and  
13 assigns of the original borrower.”; and

14           (iii) by redesignating subsections (a),  
15 (c), (d), (e), (f), (g), and (h) as paragraphs  
16 (1), (4), (5), (6), (7), (8), and (9), respec-  
17 tively, and indenting such paragraphs two  
18 ems so as to align the left margins of such  
19 paragraphs with the left margins of para-  
20 graphs (2) and (3) (as added by clause (ii)  
21 of this subparagraph).

22           (B) MORTGAGEE REVIEW.—Section  
23 202(c)(7) of the National Housing Act (12  
24 U.S.C. 1708(c)(7)) is amended—

1 (i) in subparagraph (A), by inserting  
2 “, as defined in section 201,” after “mort-  
3 gagee”;

4 (ii) by striking subparagraph (B); and

5 (iii) by redesignating subparagraphs  
6 (C) and (D) as subparagraphs (B) and  
7 (C), respectively.

8 (C) MULTIFAMILY RENTAL HOUSING IN-  
9 SURANCE.—Section 207(a)(2) of the National  
10 Housing Act (12 U.S.C. 1713(a)(2)) is amend-  
11 ed by striking “means the original lender under  
12 a mortgage, and its successors and assigns,  
13 and” and inserting “has the meaning given  
14 such term in section 201, except that such term  
15 also”.

16 (D) WAR HOUSING INSURANCE.—Section  
17 601(b) of the National Housing Act (12 U.S.C.  
18 1736(b)) is amended by striking “includes the  
19 original lender under a mortgage, and his suc-  
20 cessors and assigns approved by the Secretary”  
21 and inserting “has the meaning given such  
22 term in section 201”.

23 (E) ARMED SERVICES HOUSING MORTGAGE  
24 INSURANCE.—Section 801(b) of the National  
25 Housing Act (12 U.S.C. 1748(b)) is amended

1 by striking “includes the original lender under  
2 a mortgage, and his successors and assigns ap-  
3 proved by the Secretary” and inserting “has the  
4 meaning given such term in section 201”.

5 (F) GROUP PRACTICE FACILITIES MORT-  
6 GAGE INSURANCE.—Section 1106(8) of the Na-  
7 tional Housing Act (12 U.S.C. 1749aaa–5(8))  
8 is amended by striking “means the original  
9 lender under a mortgage, and his or its succes-  
10 sors and assigns, and” and inserting “has the  
11 meaning given such term in section 201, except  
12 that such term also”.

13 (2) ELIGIBILITY FOR INSURANCE.—

14 (A) TITLE I.—Paragraph (1) of section  
15 8(b) of the National Housing Act (12 U.S.C.  
16 1706c(b)(1)) is amended—

17 (i) by striking “, and be held by,”;

18 and

19 (ii) by striking “as responsible and  
20 able to service the mortgage properly”.

21 (B) SINGLE FAMILY HOUSING MORTGAGE  
22 INSURANCE.—Paragraph (1) of section 203(b)  
23 of the National Housing Act (12 U.S.C.  
24 1709(b)(1)) is amended—

1 (i) by striking “, and be held by,”;

2 and

3 (ii) by striking “as responsible and  
4 able to service the mortgage properly”.

5 (C) SECTION 221 MORTGAGE INSUR-  
6 ANCE.—Paragraph (1) of section 221(d) of the  
7 National Housing Act (12 U.S.C. 1715l(d)(1))  
8 is amended—

9 (i) by striking “and be held by”; and

10 (ii) by striking “as responsible and  
11 able to service the mortgage properly”.

12 (D) HOME EQUITY CONVERSION MORT-  
13 GAGE INSURANCE.—Paragraph (1) of section  
14 255(d) of the National Housing Act (12 U.S.C.  
15 1715z–20(d)(1)) is amended by striking “as re-  
16 sponsible and able to service the mortgage prop-  
17 erly”.

18 (E) WAR HOUSING MORTGAGE INSUR-  
19 ANCE.—Paragraph (1) of section 603(b) of the  
20 National Housing Act (12 U.S.C. 1738(b)(1))  
21 is amended—

22 (i) by striking “, and be held by,”;

23 and

24 (ii) by striking “as responsible and  
25 able to service the mortgage properly”.

1 (F) WAR HOUSING MORTGAGE INSURANCE  
2 FOR LARGE-SCALE HOUSING PROJECTS.—Para-  
3 graph (1) of section 611(b) of the National  
4 Housing Act (12 U.S.C. 1746(b)(1)) is amend-  
5 ed—

- 6 (i) by striking “and be held by”; and  
7 (ii) by striking “as responsible and  
8 able to service the mortgage properly”.

9 (G) GROUP PRACTICE FACILITY MORTGAGE  
10 INSURANCE.—Section 1101(b)(2) of the Na-  
11 tional Housing Act (12 U.S.C. 1749aaa(b)(2))  
12 is amended—

- 13 (i) by striking “and held by”; and  
14 (ii) by striking “as responsible and  
15 able to service the mortgage properly”.

16 (H) NATIONAL DEFENSE HOUSING INSUR-  
17 ANCE.—Paragraph (1) of section 903(b) of the  
18 National Housing Act (12 U.S.C. 1750b(b)(1))  
19 is amended—

- 20 (i) by striking “, and be held by,”;  
21 and  
22 (ii) by striking “as responsible and  
23 able to service the mortgage properly”.

24 (I) CONTINGENT REPEAL.—Unless there is  
25 published in the Federal Register, before the

1 expiration of the 5-year period beginning on the  
2 date of the enactment of this Act, an order  
3 under clause (i) or (ii) of section 201(2)(D) of  
4 the National Housing Act (12 U.S.C.  
5 1707(2)(D)), as added by paragraph (1)(A)(2)  
6 of this subsection, upon the expiration of such  
7 period the provisions of such Act amended by  
8 this paragraph are amended to read as such  
9 provisions would be in effect upon such expira-  
10 tion if this Act had not been enacted (taking  
11 into consideration any amendments, after such  
12 date of enactment, to such provisions other  
13 than under this Act).

14 (b) GAO STUDY AND REPORT.—

15 (1) STUDY.—The Comptroller General of the  
16 United States shall conduct a study, upon the expi-  
17 ration of the 42-month period beginning on the date  
18 of the enactment of this Act, regarding the effect of  
19 the amendments made by subsection (a), which shall  
20 analyze and determine—

21 (A) the extent to which such amendments  
22 have resulted in increased participation, by  
23 mortgage brokers and correspondent lenders, in  
24 the mortgage insurance programs under the  
25 National Housing Act, as measured by the



1 number and amounts of such insured mort-  
2 gages, disaggregated by the States in which the  
3 properties subject to such mortgages are lo-  
4 cated;

5 (B) with respect to mortgages insured  
6 under such Act, a comparison in the numbers  
7 and rate of defaults, foreclosures, and mortgage  
8 insurance claims on such mortgages originated  
9 by mortgage brokers and correspondent lenders  
10 authorized to participate in the programs under  
11 such Act pursuant to the amendments made by  
12 subsection (a) to such numbers and rates on  
13 such mortgages originated by lenders who  
14 would be authorized to participate in such pro-  
15 grams notwithstanding such amendments;

16 (C) any impact of such amendments on the  
17 costs to the Secretary of Housing and Urban  
18 Development of administering the mortgage in-  
19 surance programs under such title; and

20 (D) the extent and effectiveness of the su-  
21 pervision and enforcement, by the Secretary, of  
22 the additional authority provided under the  
23 amendments made by subsection (a).

24 (2) REPORT.—Not later than the expiration of  
25 4-year period beginning on the date of the enact-

1       ment of this Act, the Comptroller General shall sub-  
2       mit a report to the Congress and the Secretary of  
3       Housing and Urban Development setting forth the  
4       results and conclusions of the study conducted pur-  
5       suant to paragraph (1).

6       **SEC. 22. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

7       Section 203(h) of the National Housing Act (12  
8       U.S.C. 1709) is amended—

9               (1) by inserting after “property” the following:  
10       “plus any initial service charges, appraisal, inspec-  
11       tion and other fees in connection with the mortgage  
12       as approved by the Secretary,”;

13              (2) by striking the second sentence (as added  
14       by chapter 7 of the Emergency Supplemental Appro-  
15       priations Act of 1994 (Public Law 103–211; 108  
16       Stat. 12)); and

17              (3) by adding at the end the following new sen-  
18       tence: “In any case in which the single family resi-  
19       dence to be insured under this subsection is within  
20       a jurisdiction in which the President has declared a  
21       major disaster to have occurred, the Secretary is au-  
22       thorized, for a temporary period not to exceed 36  
23       months from the date of such Presidential declara-  
24       tion, to enter into agreements to insure a mortgage  
25       which involves a principal obligation of up to 100

1 percent of the dollar limitation determined under  
2 section 305(a)(2) of the Federal Home Loan Mort-  
3 gage Corporation Act for a single family residence,  
4 and not in excess of 100 percent of the appraised  
5 value of the property plus any initial service charges,  
6 appraisal, inspection and other fees in connection  
7 with the mortgage as approved by the Secretary.”.

8 **SEC. 23. FAILURE TO PAY AMOUNTS FROM ESCROW AC-**  
9 **COUNTS FOR SINGLE FAMILY MORTGAGES.**

10 (a) PENALTIES.—Section 536 of the National Hous-  
11 ing Act (12 U.S.C. 1735f–14) is amended—

12 (1) in subsection (a)(1), by inserting “servicers  
13 (including escrow account servicers),” after “ap-  
14 praisers,”;

15 (2) in subsection (b)(1)—

16 (A) in the matter preceding subparagraph  
17 (A), by inserting “or other participant referred  
18 to in subsection (a),” after “lender,”; and

19 (B) by inserting at the end the following  
20 new subparagraphs:

21 “(K) In the case of a mortgage for a 1- to  
22 4-family residence insured under title II that  
23 requires the mortgagor to make payments to  
24 the mortgagee or other servicer of the mortgage  
25 for deposit into an escrow account for the pur-

1           pose of assuring payment of taxes, insurance  
2           premiums, and other charges with respect to  
3           the property, failure on the part of the servicer  
4           to make any such payment from the escrow ac-  
5           count by the deadline to avoid a penalty with  
6           respect to such payment provided for in the  
7           mortgage, unless the servicer was not provided  
8           notice of such deadline.

9           “(L) In the case of any failure to make  
10          any payment as described in subparagraph (K),  
11          submitting any information to a consumer re-  
12          porting agency (as such term is defined in sec-  
13          tion 603(f) of the Fair Credit Reporting Act  
14          (15 U.S.C. 1681a(f))) regarding such failure  
15          that is adverse to the credit rating or interest  
16          of the mortgagor.”; and

17          (3) in subsection (c)(3), by adding at the end  
18          the following: “In the case of any failure to make a  
19          payment described in subsection (b)(1)(K) for which  
20          the servicer fails to reimburse the mortgagor (A) be-  
21          fore the expiration of the 60-day period beginning on  
22          the deadline to avoid a penalty with respect to such  
23          payment, in the sum of the amount not paid from  
24          the escrow account by such deadline and the amount  
25          of any penalties accruing to the mortgagor that are

1       attributable to such failure, or (B) in the amount of  
2       any attorneys fees incurred by the mortgagor and  
3       attributable to such failure, the Secretary shall in-  
4       crease the amount of the penalty under subsection  
5       (a) for any such failure to reimburse, unless the Sec-  
6       retary determines there are mitigating cir-  
7       cumstances.”.

8       (b) PROHIBITION ON SUBMISSION OF INFORMATION  
9 BY HUD.—Title II of the National Housing Act (12  
10 U.S.C. 1707 et seq.) is amended by adding at the end  
11 the following new section:

12       **“SEC. 257. PROHIBITION REGARDING FAILURE ON PART OF**  
13                               **SERVICER TO MAKE ESCROW PAYMENTS.**

14       “In the case of any failure to make any payment as  
15 described in section 536(b)(1)(K), the Secretary may not  
16 submit any information to a consumer reporting agency  
17 (as such term is defined in section 603(f) of the Fair Cred-  
18 it Reporting Act (15 U.S.C. 1681a(f))) regarding such  
19 failure that is adverse to the credit rating or interest of  
20 the mortgagor.”.

21       **SEC. 24. ACCEPTABLE IDENTIFICATION FOR FHA MORTGA-**  
22                               **GORS.**

23       (a) IN GENERAL.—Title II of the National Housing  
24 Act is amended by inserting after section 209 (12 U.S.C.  
25 1715) the following new section:

1 **“SEC. 210. FORMS OF ACCEPTABLE IDENTIFICATION.**

2 “The Secretary may not insure a mortgage under any  
3 provision of this title unless the mortgagor under the  
4 mortgage provides personal identification in one of the fol-  
5 lowing forms:

6 “(1) SOCIAL SECURITY CARD WITH PHOTO  
7 IDENTIFICATION CARD OR REAL ID ACT IDENTIFICA-  
8 TION.—

9 “(A) A social security card accompanied by  
10 a photo identification card issued by the Fed-  
11 eral Government or a State Government; or

12 “(B) A driver’s license or identification  
13 card issued by a State in the case of a State  
14 that is in compliance with title II of the REAL  
15 ID Act of 2005 (title II of division B of Public  
16 Law 109–13; 49 U.S.C. 30301 note).

17 “(2) PASSPORT.—A passport issued by the  
18 United States or a foreign government.

19 “(3) USCIS PHOTO IDENTIFICATION CARD.—A  
20 photo identification card issued by the Secretary of  
21 Homeland Security (acting through the Director of  
22 the United States Citizenship and Immigration Serv-  
23 ices).”.

24 (b) EFFECTIVE DATE.—The requirements of section  
25 210 of the National Housing Act (as added by subsection

1 (a) of this section) shall take effect 6 months after the  
2 date of the enactment of this Act.

3 **SEC. 25. PILOT PROGRAM FOR AUTOMATED PROCESS FOR**  
4 **BORROWERS WITHOUT SUFFICIENT CREDIT**  
5 **HISTORY.**

6 (a) ESTABLISHMENT.—Title II of the National Hous-  
7 ing Act (12 U.S.C. 1707 et seq.), as amended by the pre-  
8 ceding provisions of this Act, is further amended by add-  
9 ing at the end the following new section:

10 **“SEC. 258. PILOT PROGRAM FOR AUTOMATED PROCESS**  
11 **FOR BORROWERS WITHOUT SUFFICIENT**  
12 **CREDIT HISTORY.**

13 “(a) ESTABLISHMENT.—The Secretary shall carry  
14 out a pilot program to establish, and make available to  
15 mortgagees, an automated process for providing alter-  
16 native credit rating information for mortgagors and pro-  
17 spective mortgagors under mortgages on 1- to 4-family  
18 residences to be insured under this title who have insuffi-  
19 cient credit histories for determining their creditworthi-  
20 ness. Such alternative credit rating information may in-  
21 clude rent, utilities, and insurance payment histories, and  
22 such other information as the Secretary considers appro-  
23 priate.

1           “(b) SCOPE.—The Secretary may carry out the pilot  
2 program under this section on a limited basis or scope,  
3 and may consider limiting the program—

4                   “(1) to first-time homebuyers; or

5                   “(2) metropolitan statistical areas significantly  
6 impacted by subprime lending.

7           “(c) LIMITATION.—In any fiscal year, the aggregate  
8 number of mortgages insured pursuant to the automated  
9 process established under this section may not exceed 5  
10 percent of the aggregate number of mortgages for 1- to  
11 4-family residences insured by the Secretary under this  
12 title during the preceding fiscal year.

13           “(d) SUNSET.—After the expiration of the 5-year pe-  
14 riod beginning on the date of the enactment of the Ex-  
15 panding American Homeownership Act of 2007, the Sec-  
16 retary may not enter into any new commitment to insure  
17 any mortgage, or newly insure any mortgage, pursuant to  
18 the automated process established under this section.”.

19           (b) GAO REPORT.—Not later than the expiration of  
20 the 4-year period beginning on the date that the Secretary  
21 of Housing and Urban Development first insures any  
22 mortgage pursuant to the automated process established  
23 under pilot program under section 258 of the National  
24 Housing Act (as added by the amendment made by sub-  
25 section (a) of this section), the Comptroller General of the



1 United States shall submit to the Congress a report identi-  
2 fying the number of additional mortgagors served using  
3 such automated process and the impact of such process  
4 and the insurance of mortgages pursuant to such process  
5 on the safety and soundness of the insurance funds under  
6 the National Housing Act of which such mortgages are  
7 obligations.

8 **SEC. 26. SENSE OF CONGRESS REGARDING TECHNOLOGY**  
9 **FOR FINANCIAL SYSTEMS.**

10 (a) CONGRESSIONAL FINDINGS.—The Congress finds  
11 the following:

12 (1) The Government Accountability Office has  
13 cited the FHA single family housing mortgage insur-  
14 ance program as a “high-risk” program, with a pri-  
15 mary reason being non-integrated and out-dated fi-  
16 nancial management systems.

17 (2) The “Audit of the Federal Housing Admin-  
18 istration’s Financial Statements for Fiscal Years  
19 2004 and 2003”, conducted by the Inspector Gen-  
20 eral of the Department of Housing and Urban De-  
21 velopment reported as a material weakness that  
22 “HUD/FHA’s automated data processing [ADP]  
23 system environment must be enhanced to more effec-  
24 tively support FHA’s business and budget proc-  
25 esses”.

1           (3) Existing technology systems for the FHA  
2 program have not been updated to meet the latest  
3 standards of the Mortgage Industry Standards  
4 Maintenance Organization and have numerous defi-  
5 ciencies that lenders have outlined.

6           (4) Improvements to technology used in the  
7 FHA program will—

8                   (A) allow the FHA program to improve the  
9 management of the FHA portfolio, garner  
10 greater efficiencies in its operations, and lower  
11 costs across the program;

12                   (B) result in efficiencies and lower costs  
13 for lenders participating in the program, allow-  
14 ing them to better use the FHA products in ex-  
15 tending homeownership opportunities to higher  
16 credit risk or lower-income families, in a sound  
17 manner.

18           (5) The Mutual Mortgage Insurance Fund op-  
19 erates without cost to the taxpayers and generates  
20 revenues for the Federal Government.

21           (b) SENSE OF CONGRESS.—It is the sense of the  
22 Congress that—

23                   (1) the Secretary of Housing and Urban Devel-  
24 opment should use a portion of the funds received  
25 from premiums paid for FHA single family housing

1 mortgage insurance that are in excess of the  
2 amounts paid out in claims to substantially increase  
3 the funding for technology used in such FHA pro-  
4 gram;

5 (2) the goal of this investment should be to  
6 bring the technology used in such FHA program to  
7 the level and sophistication of the technology used in  
8 the conventional mortgage lending market, or to ex-  
9 ceed such level; and

10 (3) the Secretary of Housing and Urban Devel-  
11 opment should report to the Congress not later than  
12 180 days after the date of the enactment of this Act  
13 regarding the progress the Department is making  
14 toward such goal and if progress is not sufficient,  
15 the resources needed to make greater progress.

16 **SEC. 27. MULTIFAMILY HOUSING MORTGAGE LIMITS IN**  
17 **HIGH COST AREAS.**

18 The National Housing Act is amended—

19 (1) in sections 207(c)(3), 213(b)(2)(B)(i),  
20 221(d)(3)(ii)(II), 221(d)(4)(ii)(II), 231(e)(2)(B),  
21 and 234(e)(3)(B) (12 U.S.C. 1713(c)(3),  
22 1715e(b)(2)(B)(i), 1715l(d)(3)(ii)(II),  
23 1715l(d)(4)(ii)(II), 1715v(c)(2)(B), and  
24 1715y(e)(3)(B))—

1 (A) by striking “140 percent” each place  
2 such term appears and inserting “170 percent”;  
3 and

4 (B) by striking “170 percent in high cost  
5 areas” each place such term appears and in-  
6 serting “215 percent in high cost areas”; and

7 (2) in section 220(d)(3)(B)(iii)(III) (12 U.S.C.  
8 1715k(d)(3)(B)(iii)(III)) by striking “206A” and all  
9 that follows through “project-by-project basis” and  
10 inserting the following: “206A of this Act) by not to  
11 exceed 170 percent in any geographical area where  
12 the Secretary finds that cost levels so require and by  
13 not to exceed 170 percent, or 215 percent in high  
14 cost areas, where the Secretary determines it nec-  
15 essary on a project-by-project basis”.

16 **SEC. 28. DISCOUNT SALES OF MULTIFAMILY PROPERTIES.**

17 There is authorized to be appropriated, for discount  
18 sales of multifamily real properties under section 207(l)  
19 or 246 of the National Housing Act (12 U.S.C. 1713(l),  
20 1715z–11), section 203 of the Housing and Community  
21 Development Amendments of 1978 (12 U.S.C. 1701z–11),  
22 or section 204 of the Departments of Veterans Affairs and  
23 Housing and Urban Development, and Independent Agen-  
24 cies Appropriations Act, 1997 (12 U.S.C. 1715z–11a),  
25 and for discount loan sales under section 207(k) of the

1 National Housing Act (12 U.S.C. 1713(k)), section 203  
2 of the Housing and Community Development Amend-  
3 ments of 1978 (12 U.S.C. 1701z–11(k)), or section 204(a)  
4 of the Departments of Veterans Affairs and Housing and  
5 Urban Development, and Independent Agencies Appro-  
6 priations Act, 1997 (12 U.S.C. 1715z–11a(a)),  
7 \$5,000,000, for fiscal year 2008.

8 **SEC. 29. CLARIFICATION OF DISPOSITION OF CERTAIN**  
9 **PROPERTIES.**

10 Notwithstanding any other provision of law, subtitle  
11 A of title II of the Deficit Reduction Act of 2005 (12  
12 U.S.C. 1701z–11 note) and the amendments made by such  
13 title shall not apply to any transaction regarding a multi-  
14 family real property for which—

15 (1) the Secretary of Housing and Urban Devel-  
16 opment has received, before the date of the enact-  
17 ment of such Act, written expressions of interest in  
18 purchasing the property from both a city govern-  
19 ment and the housing commission of such city;

20 (2) after such receipt, the Secretary acquires  
21 title to the property at a foreclosure sale; and

22 (3) such city government and housing commis-  
23 sion have resolved a previous disagreement with re-  
24 spect to the disposition of the property.

1 **SEC. 30. NONCOMPETITIVE SALES BY HUD TO STATES AND**  
2 **LOCALITIES.**

3 Subtitle A of title II of the Deficit Reduction Act of  
4 2005 (Public Law 109–171; 120 Stat. 7) is amended by  
5 adding at the end the following new section:

6 **“SEC. 2004. NONCOMPETITIVE SALES IN FISCAL YEAR 2011.**

7 “Notwithstanding any other provision of law, the Sec-  
8 retary may not sell any multifamily real property through  
9 any discount sale during fiscal year 2011 under the provi-  
10 sions of law referred to in section 2002(a) or any multi-  
11 family loan through any discount loan sale during such  
12 fiscal year under the provisions referred to in section  
13 2002(b), unless the property or loan is sold for an amount  
14 that is equal to or greater than 60 percent of the property  
15 market value or loan market value, respectively.”.

16 **SEC. 31. USE OF FHA SAVINGS FOR COSTS OF MORTGAGE**  
17 **INSURANCE, HOUSING COUNSELING, FHA**  
18 **TECHNOLOGIES, PROCEDURES, AND PROC-**  
19 **ESSES, AND FOR AFFORDABLE HOUSING**  
20 **GRANT FUND, AND STUDY.**

21 (a) IN GENERAL.—Subject to subsection (c), there is  
22 authorized to be appropriated for each fiscal year an  
23 amount equal to the net increase for such fiscal year in,  
24 except as provided in subsection (b), the negative credit  
25 subsidy for the mortgage insurance programs under title  
26 II of the National Housing Act resulting from this Act

1 and the amendments made by this Act, for the following  
2 purposes in the following amounts:

3           (1) SINGLE FAMILY HOUSING MORTGAGE IN-  
4           SURANCE.—For each fiscal year, for costs (as such  
5           term is defined in section 502 of the Federal Credit  
6           Reform Act of 1990 (2 U.S.C. 661a)) of mortgage  
7           insurance provided pursuant to section 203(b) of the  
8           National Housing Act (12 U.S.C. 1709(b)), the ad-  
9           ditional amount (not including any costs of such  
10          mortgage insurance resulting from this Act or the  
11          amendments made by this Act), if any, necessary to  
12          ensure that the credit subsidy cost of such mortgage  
13          insurance for such fiscal year is \$0.

14          (2) HOUSING COUNSELING.—For each of fiscal  
15          years 2008 through 2012, the amount needed to in-  
16          crease funding, for the housing counseling program  
17          under section 106 of the Housing and Urban Devel-  
18          opment Act of 1968 (12 U.S.C. 1701x), in connec-  
19          tion with homebuyers and homeowners with mort-  
20          gages insured under title II of the National Housing  
21          Act, from the amount appropriated for the preceding  
22          fiscal year to \$100,000,000.

23          (3) MORTGAGE INSURANCE TECHNOLOGY, PRO-  
24          CEDURES, PROCESSES, PROGRAM PERFORMANCE,  
25          AND SALARIES.—For each of fiscal years 2008

1 through 2012, \$25,000,000 for increasing funding  
2 for the purpose of improving technology, procedures,  
3 processes, and program performance, and salaries in  
4 connection with the mortgage insurance programs  
5 under title II of the National Housing Act.

6 (4) AFFORDABLE HOUSING FUND.—For each  
7 fiscal year, for an affordable housing fund available  
8 for use only for grants to provide affordable rental  
9 housing and affordable homeownership opportunities  
10 for low-income families, the amount remaining under  
11 this section after amounts are made available for  
12 such fiscal year in accordance with paragraphs (1),  
13 (2), and (3).

14 (b) EXCLUSION OF EARNINGS FROM THE SINGLE  
15 FAMILY MORTGAGE INSURANCE PROGRAM.—With respect  
16 to a fiscal year, the negative credit subsidy determined  
17 under subsection (a) shall not include the negative credit  
18 subsidy cost for such fiscal year, if any, for mortgage in-  
19 surance provided pursuant to section 203(b) of the Na-  
20 tional Housing Act.

21 (c) CERTIFICATION.—Subsection (a) shall not be ef-  
22 fective for a fiscal year unless the Secretary of Housing  
23 and Urban Development has, by rule making in accord-  
24 ance with section 553 of title 5, United States Code (not-  
25 withstanding subsections (a)(2), (b)(B), and (d)(3) of



1 such section), made a determination that premiums being,  
2 or to be, charged during such fiscal year for mortgage in-  
3 surance under title II of the National Housing Act are  
4 established at the minimum amount sufficient to comply  
5 with the requirements of section 205(f) of such Act (relat-  
6 ing to required capital ratio for the Mutual Mortgage In-  
7 surance Fund) and ensure the safety and soundness of  
8 the other mortgage insurance funds under such Act, and  
9 any negative credit subsidy for such fiscal year resulting  
10 from such mortgage insurance programs adequately en-  
11 sures the efficient delivery and availability of such pro-  
12 grams.

13 (d) STUDY AND REPORT.—The Secretary of Housing  
14 and Urban Development shall conduct a study to obtain  
15 recommendations from participants in the private residen-  
16 tial mortgage lending business and the secondary market  
17 for such mortgages on how best to update and upgrade  
18 procedures, processes, and technologies for the mortgage  
19 insurance programs under title II of the National Housing  
20 Act so that the policies and procedures for originating, in-  
21 suring, and servicing of such mortgages conform with  
22 those customarily used by secondary market purchasers  
23 of residential mortgage loans. Not later than the expira-  
24 tion of the 12-month period beginning on the date of the  
25 enactment of this Act, the Secretary shall submit a report

1 to the Congress describing the progress made and to be  
2 made toward updating and upgrading such procedures,  
3 processes, and technology, and providing appropriate  
4 staffing for such mortgage insurance programs.

5 **SEC. 32. LIMITATION ON MORTGAGE INSURANCE PREMIUM**  
6 **INCREASES.**

7 Notwithstanding any other provision of law, including  
8 any provision of this Act and any amendment made by  
9 this Act—

10 (1) the premiums charged for mortgage insur-  
11 ance under any program under the National Hous-  
12 ing Act may not be increased above the premium  
13 amounts in effect under such program on October 1,  
14 2006, unless the Secretary of Housing and Urban  
15 Development determines that, absent such increase,  
16 insurance of additional mortgages under such pro-  
17 gram would, under the Federal Credit Reform Act  
18 of 1990, require the appropriation of new budget au-  
19 thority to cover the costs (as such term is defined  
20 in section 502 of the Federal Credit Reform Act of  
21 1990 (2 U.S.C. 661a) of such insurance; and

22 (2) a premium increase pursuant to paragraph  
23 (1) may be made only by rule making in accordance  
24 with the procedures under section 553 of title 5,

1 United States Code (notwithstanding subsections  
2 (a)(2), (b)(B), and (d)(3) of such section).

3 **SEC. 33. CIVIL MONEY PENALTIES FOR IMPROPERLY IN-**  
4 **FLUENCING APPRAISALS.**

5 Paragraph (2) of section 536(b) of the National  
6 Housing Act (12 U.S.C. 1735f–14(b)(2)) is amended—

7 (1) in subparagraph (B), by striking “or” at  
8 the end;

9 (2) in subparagraph (C), by striking the period  
10 at the end and inserting “; or”; and

11 (3) by adding at the end the following new sub-  
12 paragraph:

13 “(D) in the case of an insured mortgage  
14 under title II for a 1- to 4-family residence,  
15 compensating, instructing, inducing, coercing,  
16 or intimidating any person who conducts an ap-  
17 praisal of the property in connection with such  
18 mortgage, or attempting to compensate, in-  
19 struct, induce, coerce, or intimidate such a per-  
20 son, for the purpose of causing the appraised  
21 value assigned to the property under the ap-  
22 praisal to be based on any other factor other  
23 than the independent judgment of such person  
24 exercised in accordance with applicable profes-  
25 sional standards.”.

1 **SEC. 34. MORTGAGE INSURANCE PREMIUM REFUNDS.**

2 (a) **AUTHORITY.**—The Secretary of Housing and  
3 Urban Development shall, to the extent that amounts are  
4 made available pursuant to subsection (c), provide refunds  
5 of unearned premium charges paid, at the time of insur-  
6 ance, for mortgage insurance under title II of the National  
7 Housing Act (12 U.S.C. 1707 et seq.) to or on behalf of  
8 mortgagors under mortgages described in subsection (b).

9 (b) **ELIGIBLE MORTGAGES.**—A mortgage described  
10 in this section is a mortgage on a one- to four-family  
11 dwelling that—

12 (1) was insured under title II of the National  
13 Housing Act (12 U.S.C. 1707 et seq.);

14 (2) is otherwise eligible, under the last sentence  
15 of subparagraph (A) of section 203(c)(2) of such Act  
16 (12 U.S.C. 1709(c)(2)(A)), for a refund of all un-  
17 earned premium charges paid on the mortgage pur-  
18 suant to such subparagraph, except that the mort-  
19 gage—

20 (A) was closed before December 8, 2004;

21 and

22 (B) was endorsed on or after such date.

23 (c) **AUTHORIZATION OF APPROPRIATIONS.**—There is  
24 authorized to be appropriated for each fiscal year such  
25 sums as may be necessary to provide refunds of unearned  
26 mortgage insurance premiums pursuant to this section.

1 **SEC. 35. SAVINGS PROVISION.**

2 Any mortgage insured under title II of the National  
3 Housing Act before the date of enactment of this title shall  
4 continue to be governed by the laws, regulations, orders,  
5 and terms and conditions to which it was subject on the  
6 day before the date of the enactment of this Act.

7 **SEC. 36. IMPLEMENTATION.**

8 Except as provided in section 23(b), the Secretary of  
9 Housing and Urban Development shall by notice establish  
10 any additional requirements that may be necessary to im-  
11 mediately carry out the provisions of this Act. The notice  
12 shall take effect upon issuance.

Passed the House of Representatives September 18,  
2007.

Attest:

*Clerk.*

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

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**H. R. 1852**

**AN ACT**

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.