

110TH CONGRESS
2D SESSION

H. R. 5830

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 2008

Mr. FRANK of Massachusetts (for himself, Ms. WATERS, Mrs. MALONEY of New York, Mr. WATT, Mr. ACKERMAN, Mr. MEEKS of New York, Mr. CLAY, Mr. LYNCH, Mr. AL GREEN of Texas, Ms. MOORE of Wisconsin, Mr. LINCOLN DAVIS of Tennessee, Mr. HODES, Mr. WILSON of Ohio, Mr. PERLMUTTER, Mr. MURPHY of Connecticut, Mr. DONNELLY, Mr. WEXLER, Mr. SHAYS, Ms. GINNY BROWN-WAITE of Florida, Mr. DINGELL, Ms. SCHAKOWSKY, Mr. LEVIN, Mr. HINCHEY, Mr. FATTAH, Mr. JACKSON of Illinois, Mrs. CHRISTENSEN, Ms. LEE, Mr. WU, Ms. MCCOLLUM of Minnesota, Mr. VAN HOLLEN, Mr. BUTTERFIELD, Mr. COURTNEY, Mr. SESTAK, Mr. SIRES, and Ms. TSONGAS) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To create a voluntary FHA program that provides mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “FHA Housing Sta-
3 bilization and Homeownership Retention Act of 2008”.

4 **SEC. 2. PURPOSES.**

5 The purposes of this Act are—

6 (1) to create an FHA program, which is vol-
7 untary on the part of borrowers and existing mort-
8 gage loan holders, to insure refinance loans for sub-
9 stantial numbers of borrowers at risk of foreclosure,
10 at levels which are reasonably likely to be sustain-
11 able through enhanced affordability of debt service;

12 (2) to provide flexible underwriting for FHA-in-
13 sured loans under such a program to provide refi-
14 nancing opportunities under fiscally responsible
15 terms, including higher fees commensurate with
16 higher risk levels, a seasoning requirement for high-
17 er debt to income loans, and additional program con-
18 trols to limit and control risk;

19 (3) to bar speculators and second home owners
20 from participation in such program;

21 (4) to require existing mortgage loan holders to
22 take substantial loan writedowns in exchange for
23 having the Federal Government and the borrower
24 assume the ongoing risk of the refinanced loan;

25 (5) to set a loan-to-value limit on such loans
26 that provides the FHA with an equity buffer against

1 potential loan losses, provides protections against
2 the risk of future home price declines, and creates
3 incentives for borrowers to maintain payments on
4 the loan;

5 (6) to protect the FHA against losses which
6 may exceed normal FHA loss levels by establishing
7 higher fee levels, including an exit fee and profit
8 sharing during the first five years of the loan, with
9 such higher fee levels effectively being funded
10 through the required lender writedown;

11 (7) to provide a fair level of incentives for jun-
12 ior lien holders to provide the necessary releases of
13 their lien interests, in order to meet program re-
14 quirements that all outstanding liens must be extin-
15 guished, and thereby permit the refinancing to be
16 completed;

17 (8) to enhance the administrative capacity of
18 the FHA to carry out its expanded role under the
19 program through establishment of an Oversight
20 Board which adds expertise from the Federal Re-
21 serve and the Department of the Treasury, through
22 additional funding to contract out for the provision
23 of any needed expertise in designing program re-
24 quirements and oversight, and through additional
25 funding to increase FHA personnel resources as

1 needed to handle the increased loan volume resulting
2 from the program;

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

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

10 **SEC. 3. INSURANCE OF HOMEOWNERSHIP RETENTION**
11 **MORTGAGES.**

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

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

17 **“(a) OVERSIGHT BOARD.—**

18 **“(1) ESTABLISHMENT.—**There is hereby estab-
19 lished the Refinance Program Oversight Board (in
20 this section referred to as the ‘Oversight Board’).

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

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

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

1 “(C) The Chairman of the Board of Gov-
2 ernors of the Federal Reserve System.

3 “(3) NO ADDITIONAL COMPENSATION.—Mem-
4 bers of the Oversight Board shall receive no addi-
5 tional pay by reason of service on the Oversight
6 Board.

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

11 “(A) detailed program requirements under
12 subsection (c);

13 “(B) flexible underwriting criteria under
14 subsection (d);

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

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

19 “(E) enhancement of FHA capacity under
20 subsection (h), including oversight of such ac-
21 tivities and personnel as may be contracted for
22 as provided therein;

23 “(F) monitoring of underwriting risk
24 under subsection (i); and

1 “(G) such additional requirements as may
2 be necessary and appropriate to oversee and im-
3 plement the program.

4 “(5) USE OF RESOURCES.—In carrying out its
5 functions under this section, the Oversight Board
6 may utilize, with their consent and to the extent
7 practical, the personnel, services, and facilities of the
8 Department of the Treasury, the Department of
9 Housing and Urban Development, the Board of Gov-
10 ernors of the Federal Reserve System, the Federal
11 Reserve Banks, and other Federal agencies, with or
12 without reimbursement therefore.

13 “(b) AUTHORITY.—

14 “(1) IN GENERAL.—The Secretary shall, sub-
15 ject only to the absence of qualified requests for in-
16 surance under this section and to the limitations
17 under subsection (g) of this section and section
18 531(a), make commitments to insure and insure any
19 mortgage covering a 1- to 4-family residence that is
20 made for the purpose of paying or prepaying out-
21 standing obligations under an existing mortgage or
22 mortgages on the residence if the mortgage being in-
23 sured under this section meets the requirements of
24 this section, as established by the Oversight Board,

1 and of section 203, except as modified by this sec-
2 tion.

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

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

14 “(1) OWNER-OCCUPIED PRINCIPAL RESIDENCE
15 REQUIREMENT.—The residence to be covered by the
16 mortgage insured under this section shall be occu-
17 pied by the mortgagor as the principal residence of
18 the mortgagor.

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

21 “(A) BORROWER CERTIFICATION.—The
22 mortgagor shall provide a certification to the
23 originator of the mortgage that the mortgagor
24 has not intentionally defaulted on the existing
25 mortgage or mortgages.

1 “(B) CURRENT BORROWER DEBT-TO-IN-
2 COME RATIO.—As of March 1, 2008, the mort-
3 gagor shall have had a ratio of mortgage debt
4 to income, taking into consideration all existing
5 mortgages at such time, greater than 35 per-
6 cent, except that the Oversight Board may de-
7 crease such percentage for all mortgagors or
8 identifiable classes of mortgagors if the Over-
9 sight Board considers such decrease necessary
10 or appropriate to make eligible for the program
11 those mortgagors who cannot reasonably afford
12 their existing mortgage loan or loans but who
13 would be able to afford the new mortgage under
14 the program under this section.

15 “(C) LOSS MITIGATION RESPONSIBIL-
16 ITIES.—This section may not be construed to
17 alter or in any way affect the responsibilities of
18 any party (including the mortgage servicer) to
19 engage in any or all loan modification or other
20 loss mitigation strategies to maximize value to
21 investors as established by any applicable con-
22 tract.

23 “(3) ELIGIBILITY OF MORTGAGES BY DATE OF
24 ORIGINATION.—The existing senior mortgage shall

1 have been originated on or before December 31,
2 2007.

3 “(4) MAXIMUM LOAN-TO-VALUE RATIO FOR
4 NEW LOANS.—The mortgage being insured under
5 this section shall involve a principal obligation (in-
6 cluding such initial service charges, appraisal, in-
7 spection, and other fees as the Secretary shall ap-
8 prove and including the mortgage insurance pre-
9 mium paid pursuant to subsection (e)(1)) in an
10 amount not to exceed 90 percent of the current ap-
11 praised value of the property. Section 203(d) shall
12 not apply to mortgages insured under this section.

13 “(5) REQUIRED WAIVER OF PREPAYMENT PEN-
14 ALTIES AND FEES.—All penalties for prepayment of
15 the existing mortgage or mortgages, and all fees and
16 penalties related to default or delinquency on all ex-
17 isting mortgages or mortgages, shall be waived or
18 forgiven.

19 “(6) REQUIRED LOAN REDUCTION.—

20 “(A) REDUCTION OF INDEBTEDNESS
21 UNDER EXISTING SENIOR MORTGAGE.—The
22 amount of indebtedness on the existing mort-
23 gage or mortgages on the residence shall have
24 been substantially reduced by such percentage
25 as the Oversight Board or Secretary may re-

1 quire, and such reduction shall be at least suffi-
2 cient to—

3 “(i) provide for the refinancing of
4 such existing mortgage or mortgages in an
5 amount not greater than 90 percent of the
6 current appraised value of the property in-
7 volved;

8 “(ii) pay the full amount of the single
9 premium to be collected pursuant to sub-
10 section (e)(1) (which shall be an amount
11 equal to 3.0 percent of the amount of the
12 original insured principal obligation of the
13 mortgage insured under this section and
14 which shall serve as an additional reserve
15 to cover possible loan losses); and

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

21 “(B) EXTINGUISHMENT OF DEBT BY REFI-
22 NANCING.—

23 “(i) REQUIRED AGREEMENT.—All ex-
24 isting holders of mortgage liens on the
25 property involved shall agree to accept the

1 proceeds of the insured loan as payment in
2 full of all indebtedness under all existing
3 mortgages, and all encumbrances related
4 to such mortgages shall be removed. The
5 Oversight Board may take such actions as
6 the Oversight Board considers necessary or
7 appropriate to facilitate coordination and
8 agreement between the holders of the exist-
9 ing senior mortgage and any existing sub-
10 ordinate mortgages, taking into consider-
11 ation the subordinate lien status of such
12 subordinate mortgages, to comply with the
13 requirement under this subparagraph.

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

21 “(I) FIXED PRICE.—As a re-
22 quirement for participating in this
23 program, all existing lien holders will
24 agree to not provide any payment to
25 subordinate lien holders other than

1 such payment in accordance with a
2 formula established by the Oversight
3 Board as set forth in clause (iii); ex-
4 cept that the Oversight Board may es-
5 tablish a short period within which
6 first and subordinate lien holders may
7 negotiate to extinguish all subordinate
8 liens for compensation that may be
9 different from the amount determined
10 under such formula set forth in clause
11 (iii).

12 “(II) SHARED EQUITY.—The
13 Oversight Board may require the
14 mortgagor under a mortgage insured
15 under this section to agree to share a
16 portion of any future equity in the
17 mortgaged property with holders of
18 existing subordinate mortgages, in ac-
19 cordance with a formula for such
20 shared equity established by the Over-
21 sight Board as set forth in clause (iii),
22 except that payments of such shared
23 equity may be made only after the
24 Secretary recovers all amounts owed
25 to the Secretary with respect to such

1 mortgage pursuant to the program
2 under this section (including amounts
3 owed pursuant to paragraph (8)).

4 “(iii) FORMULA.—In determining a
5 formula for determining any payments to
6 subordinate lien holders pursuant to sub-
7 clauses (I) and (II) of clause (ii), and in
8 any reconsideration of such formula as the
9 Oversight Board may from time to time
10 undertake, the Oversight Board shall take
11 into consideration the current market value
12 of such liens. In no case may a formula
13 provide for the payment of more than 1
14 percent of the current appraised value of
15 the mortgaged property to a subordinate
16 lien holder if the outstanding balance owed
17 to more senior lien holders is equal to or
18 exceeds such current appraised value.

19 “(iv) VOLUNTARY PROGRAM.—This
20 subparagraph may not be construed to re-
21 quire any holder of any existing mortgage
22 to participate in the program under this
23 section generally, or with respect to any
24 particular loan.

1 “(v) SOURCE OF PAYMENTS FOR SUB-
2 ORDINATE LOANS.—Any amounts paid to
3 holders of any existing subordinate mort-
4 gages in connection with the origination
5 and insurance of a mortgage under this
6 section shall derive only from—

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

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

13 “(7) REQUIRED REDUCTION OF DEBT SERV-
14 ICE.—The debt service payments due under the
15 mortgage insured under this section shall be in an
16 amount that is substantially reduced from the debt
17 service payments due under the existing mortgage or
18 mortgages, which reduction may be achieved through
19 a reduction of indebtedness, a reduction in the inter-
20 est rate being paid, or an extension of the term of
21 the mortgage, or any combination thereof.

22 “(8) FINANCIAL RECOVERY TO FEDERAL GOV-
23 ERNMENT THROUGH EXIT PREMIUM.—

24 “(A) SUBORDINATE LIEN.—The mortgage
25 shall provide that the Secretary shall retain a

1 lien on the residence involved, which shall be
2 subordinate to the mortgage insured under this
3 section but senior to all other mortgages on the
4 residence that may exist at any time, and which
5 shall secure the repayment of the amount due
6 under subparagraph (D).

7 “(B) NO INTEREST OR PAYMENT DURING
8 MORTGAGE.—The amount secured by the lien
9 retained by the Secretary pursuant to subpara-
10 graph (A) shall not bear interest and shall not
11 be repayable to the Secretary except as pro-
12 vided in subparagraph (D) of this paragraph.

13 “(C) NET PROCEEDS AVAILABLE FOR EXIT
14 PREMIUM.—Upon the sale, refinancing, or other
15 disposition of the residence covered by a mort-
16 gage insured under this section, any proceeds
17 resulting from such disposition that remain
18 after deducting the remaining insured principal
19 balance of the mortgage insured under this sec-
20 tion shall be available to meet the obligation
21 under subparagraph (D).

22 “(D) EXIT PREMIUM.—Upon any refi-
23 nancing of the mortgage insured under this sec-
24 tion or any sale or disposition of the residence
25 covered by the mortgage, the Secretary shall,

1 subject to the availability of sufficient net pro-
2 ceeds described in subparagraph (C), receive
3 the greater of—

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

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

10 “(I) in the case of any refi-
11 nancing, sale, or disposition occurring
12 during the first year of the term of
13 the mortgage, 100 percent of such net
14 proceeds;

15 “(II) in the case of any refi-
16 nancing, sale, or disposition occurring
17 during the second year of the term of
18 the mortgage, 80 percent;

19 “(III) in the case of any refi-
20 nancing, sale, or disposition occurring
21 during the third year of the term of
22 the mortgage, 60 percent;

23 “(IV) in the case of any refi-
24 nancing, sale, or disposition occurring

1 during the fourth year of the term of
2 the mortgage, 40 percent;

3 “(V) in the case of any refi-
4 nancing, sale, or disposition occurring
5 during the fifth year of the term of
6 the mortgage, 20 percent; and

7 “(VI) in the case of any refi-
8 nancing, sale, or disposition occurring
9 after the end of the fifth year, 0 per-
10 cent.

11 “(E) AUTHORITY TO PROHIBIT NEW SEC-
12 OND LIENS.—The Oversight Board may pro-
13 hibit borrowers from granting a new second lien
14 on the mortgaged property during the first five
15 years of the term of the mortgage insured
16 under this section, except as the Oversight
17 Board determines to be necessary to ensure the
18 appropriate maintenance of the mortgaged
19 property.

20 “(9) DOCUMENTATION AND VERIFICATION OF
21 INCOME.—In complying with the FHA underwriting
22 requirements under the program under this section,
23 the mortgagee under the mortgage shall document
24 and verify the income of the mortgagor in accord-

1 ance with procedures and standards that the Over-
2 sight Board or the Secretary shall establish.

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

7 “(11) MAXIMUM LOAN AMOUNT.—Notwith-
8 standing section 203(b)(2), the mortgage being in-
9 sured under this section shall involve a principal ob-
10 ligation in an amount that does not exceed the limi-
11 tation (for a property of the applicable size) on the
12 amount of the principal obligation that would be al-
13 lowable under the terms of section 202(a) of the
14 Economic Stimulus Act of 2008 if the mortgage
15 were insured pursuant to such section. The limita-
16 tion on the amount of the principal obligation allow-
17 able under such Act shall apply for the purposes of
18 this Act until the termination under subsection (m)
19 of the program under this subsection.

20 “(d) FLEXIBLE UNDERWRITING CRITERIA.—The
21 Oversight Board shall establish, and the Secretary acting
22 on behalf of the Oversight Board shall implement, under-
23 writing standards for mortgages insured under this section
24 that—

1 “(1) ensure that each mortgagor under a mort-
2 gage insured under this section has a reasonable ex-
3 pectation of repaying the mortgage, taking into con-
4 sideration the mortgagor’s income, assets, liabilities,
5 payment history, and other applicable criteria, but
6 which shall not result in a denial of insurance solely
7 on the basis of the mortgagor’s current FICO or
8 other credit scores, or any delinquency or default by
9 the mortgagor under the existing mortgage or mort-
10 gages;

11 “(2) subject to the provisions of paragraph (1)
12 and except as provided in paragraph (3), permit a
13 total debt-to-income ratio of up to 43 percent;

14 “(3) subject to the provisions of paragraph (1),
15 permit a total debt-to-income ratio of more than 43
16 percent, but not more than 50 percent, if the mort-
17 gagor has made, on a timely basis before the en-
18 dorsement of the mortgage insured under this sec-
19 tion, not less than six months of payments in an
20 amount not less than the amount of the monthly
21 payment due under the mortgage to be insured
22 under this section; except that the Oversight Board
23 may increase the maximum percentage under this
24 paragraph for a class of borrowers, who will be sub-
25 ject to such additional requirements as the Oversight

1 Board shall establish, to not more than 55 percent
2 upon making a finding that such increase is nec-
3 essary to achieve the purposes of this section and
4 can be accomplished under reasonable underwriting
5 standards; and the holder of the existing senior
6 mortgage shall exercise forbearance with respect to
7 such mortgage during the period in which such pay-
8 ments are made; and

9 “(4) provide for the underwriter of the insured
10 loan to provide such representations and warranties
11 as the Oversight Board considers necessary or ap-
12 propriate for the Secretary to enforce compliance
13 with all underwriting and appraisal standards of the
14 program.

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

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

1 “(2) in addition to the premium under para-
2 graph (1), annual premium payments in an amount
3 equal to 1.50 percent of the remaining insured prin-
4 cipal balance of the mortgage; and

5 “(3) an exit premium in the amount determined
6 under subsection (c)(8), but which shall not be less
7 than 3.0 percent of the original insured principal ob-
8 ligation of the mortgage, subject only to the avail-
9 ability of sufficient net proceeds from sale, refi-
10 nancing, or other disposition of the property, as de-
11 termined in subsection (c)(8).

12 “(f) ORIGINATION FEES AND MORTGAGE RATE.—
13 The Oversight Board shall establish and the Secretary
14 shall implement a reasonable limitation on origination fees
15 for mortgages insured under this section and shall estab-
16 lish procedures to ensure that interest rates on such mort-
17 gages shall be commensurate with market rate interest
18 rates on such types of loans.

19 “(g) LIMITATION ON AGGREGATE INSURANCE AU-
20 THORITY.—The aggregate original principal obligation of
21 all mortgages insured under this section may not exceed
22 \$300,000,000,000.

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

1 “(1) contract for the establishment of under-
2 writing criteria, automated underwriting systems,
3 pricing standards, and other factors relating to eligi-
4 bility for mortgages insured under this section;

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

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

12 “(i) MONITORING OF UNDERWRITING RISK.—

13 “(1) MONITORING OF DESIGNATED UNDER-
14 WRITERS.—The Oversight Board and the Secretary
15 shall monitor independent quality reviews as estab-
16 lished pursuant to subsection (h)(2) to—

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

19 “(B) determine rates of delinquency,
20 claims rates, and loss rates of designated un-
21 derwriters; and

22 “(C) terminate eligibility of designated un-
23 derwriters that do not meet minimum perform-
24 ance standards as the Oversight Board may es-
25 tablish and the Secretary implements.

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

6 “(A) The number of new mortgages in-
7 sured under this section, including the location
8 of the properties subject to such mortgages by
9 census tract.

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

12 “(C) The average amount by which the in-
13 debtedness on existing mortgages is reduced in
14 accordance with subsection (c)(6).

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

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

20 “(F) The claim and loss rates for mort-
21 gages insured under this section.

22 “(G) The race, ethnicity, gender, and in-
23 come of the mortgagors, aggregated by geo-
24 graphical areas at least as specific as census

1 tracts, except where necessary to protect pri-
2 vacy of the borrower.

3 “(H) Any other information that the Over-
4 sight Board considers appropriate.

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

11 “(j) GNMA COMMITMENT AUTHORITY.—

12 “(1) GUARANTEES.—The Secretary shall take
13 such actions as may be necessary to ensure that se-
14 curities based on and backed by a trust or pool com-
15 posed of mortgages insured under this section are
16 available to be guaranteed by the Government Na-
17 tional Mortgage Association as to the timely pay-
18 ment of principal and interest.

19 “(2) GUARANTEE AUTHORITY.—To carry out
20 the purposes of section 306 of the National Housing
21 Act (12 U.S.C. 1721), the Government National
22 Mortgage Association may enter into new commit-
23 ments to issue guarantees of securities based on or
24 backed by mortgages insured under this section, not
25 exceeding \$300,000,000,000. The amount of author-

1 ity provided under the preceding sentence to enter
2 into new commitments to issue guarantees is in ad-
3 dition to any amount of authority to make new com-
4 mitments to issue guarantees that is provided to the
5 Association under any other provision of law.

6 “(k) SPECIAL RISK INSURANCE FUND.—The insur-
7 ance of each mortgage under this section shall be the obli-
8 gation of the Special Risk Insurance Fund established by
9 section 238.

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

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

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

21 “(3) EXISTING SUBORDINATE MORTGAGE.—The
22 term ‘existing subordinate mortgage’ means, with re-
23 spect to a mortgage insured under this section, an
24 existing mortgage that has subordinate priority to
25 the existing senior mortgage.

1 “(m) SUNSET.—

2 “(1) IN GENERAL.—Except as provided in para-
3 graph (2), the authority of the Secretary to make
4 any new commitment to insure any mortgage under
5 this section shall terminate upon the expiration of
6 the 2-year period beginning on the date of the enact-
7 ment of the FHA Housing Stabilization and Home-
8 ownership Retention Act of 2008.

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

14 “(A) be effective only if, before the pro-
15 gram terminates pursuant to paragraph (1) or
16 any previous extension pursuant to this para-
17 graph, the Oversight Board—

18 “(i) certifies the need for such exten-
19 sion in writing to the Congress; and

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

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

3 “(n) AUTHORIZATIONS OF APPROPRIATIONS.—There
4 is authorized to be appropriated for each of fiscal years
5 2008 and 2009—

6 “(1) \$200,000,000 for providing counseling re-
7 garding loss mitigation for mortgagors with 1- to 4-
8 family residences, including determining eligibility
9 for the program under this section, with grants to
10 be administered through the Neighborhood Reinvest-
11 ment Corporation, except that—

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

20 “(B) \$30,000,000 of the funds made avail-
21 able pursuant to this paragraph shall be used
22 by the Neighborhood Reinvestment Corporation
23 (referred to in this subparagraph as the ‘NRC’)
24 to make grants to counseling intermediaries ap-
25 proved by the Department of Housing and

1 Urban Development or the NRC to hire attor-
2 neys to assist homeowners who have legal issues
3 related to home ownership preservation, home
4 foreclosure prevention, tenancy associated with
5 home foreclosure, delinquency or short sale;
6 such attorneys shall be capable of assisting
7 homeowners of owner-occupied homes with
8 mortgages in default, in danger of default, or
9 subject to or at risk of foreclosure and who
10 have legal issues that cannot be handled by
11 counselors already employed by such inter-
12 mediaries; of the amount provided under this
13 subparagraph, the NRC shall give priority con-
14 sideration to counseling intermediaries and
15 legal organizations that (i) provide legal assist-
16 ance in the 100 metropolitan statistical areas
17 (as defined by the Director of the Office of
18 Management and Budget) with the highest
19 home foreclosure rates, and (ii) have the capac-
20 ity to begin using the financial assistance with-
21 in 90 days after receipt of the assistance; and
22 “(2) \$150,000,000 for costs of activities under
23 subsection (h).”.

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

4 (1) in subsection (a)(1), by striking “or 243”
5 each place such term appears and inserting “243, or
6 257”; and

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

10 **SEC. 4. STUDY OF AUCTION OR BULK REFINANCE PRO-**
11 **GRAM.**

12 (a) STUDY.—The Board of Governors of the Federal
13 Reserve System (in this section referred to as the “Board
14 of Governors”), in consultation with other members of the
15 Oversight Board established by section 257(a) of the Na-
16 tional Housing Act (as added by the amendment made by
17 section 3(a) of this Act), shall conduct a study of the need
18 for and efficacy of an auction or bulk refinancing mecha-
19 nism to facilitate refinancing of existing residential mort-
20 gages that are at risk for foreclosure into mortgages in-
21 sured under the mortgage insurance program under title
22 II of the National Housing Act. The study shall identify
23 and examine various options for mechanisms under which
24 lenders and servicers of such mortgages may make bids

1 for forward commitments for such insurance in an expe-
2 dited manner.

3 (b) CONTENT.—

4 (1) ANALYSIS.—The study required under sub-
5 section (a) shall analyze—

6 (A) the feasibility of establishing a mecha-
7 nism that would facilitate the more rapid refi-
8 nancing of borrowers at risk of foreclosure into
9 performing mortgages insured under title II of
10 the National Housing Act;

11 (B) whether such a mechanism would pro-
12 vide an effective and efficient mechanism to re-
13 duce foreclosures on qualified existing mort-
14 gages;

15 (C) whether the use of an auction or bulk
16 refinance program is necessary to stabilize the
17 housing market and reduce the impact of tur-
18 moil in that market on the economy of the
19 United States;

20 (D) whether there are other mechanisms
21 or authority that would be useful to reduce
22 foreclosure; and

23 (E) and any other factors that the Board
24 of Governors considers relevant.

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

5 (A) determine and identify any additional
6 authority or resources needed to establish and
7 operate such a mechanism;

8 (B) determine whether there is a need for
9 additional authority with respect to the loan un-
10 derwriting criteria included in the amendment
11 made by section 3(a) of this Act or with respect
12 to eligibility of participating borrowers, lenders,
13 or holders of liens;

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

20 (c) REPORT.—Not later than the expiration of the
21 60-day period beginning on the date of the enactment of
22 this Act, the Board of Governors shall submit a report
23 regarding the results of the study conducted under this
24 section to the Committee on Financial Services of the
25 House of Representatives and the Committee on Banking,

1 Housing, and Urban Affairs of the Senate. The report
2 shall include a detailed description of the analysis required
3 under subsection (b)(1) and of the determinations made
4 pursuant to subsection (b)(2), and shall include any other
5 findings and recommendations of the Board of Governors
6 pursuant to the study, including identifying various op-
7 tions for mechanisms described in subsection (a).

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