

## Calendar No. 51

111TH CONGRESS  
1ST SESSION**S. 895**

To prevent mortgage foreclosures and enhance mortgage credit availability.

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## IN THE SENATE OF THE UNITED STATES

APRIL 24, 2009

Mr. DODD (for himself, Mr. DURBIN, and Mr. SCHUMER) introduced the following bill; which was read the first time

APRIL 27, 2009

Read the second time and placed on the calendar

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**A BILL**

To prevent mortgage foreclosures and enhance mortgage credit availability.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as “Help-  
5 ing Families Save Their Homes Act of 2009”.

6 (b) TABLE OF CONTENTS.—The table of contents of  
7 this Act is the following:

Sec. 1. Short title; table of contents.

## TITLE I—PREVENTION OF MORTGAGE FORECLOSURES

## Subtitle A—Modification of Residential Mortgages

- Sec. 100. Definition.
- Sec. 101. Eligibility for relief.
- Sec. 102. Prohibiting claims arising from violations of the Truth in Lending Act.
- Sec. 103. Authority to modify certain mortgages.
- Sec. 104. Combating excessive fees.
- Sec. 105. Confirmation of plan.
- Sec. 106. Discharge.
- Sec. 107. Standing trustee fees.
- Sec. 108. Effective date; application of amendments.
- Sec. 109. GAO study.
- Sec. 110. Report to Congress.

## Subtitle B—Related Mortgage Modification Provisions

- Sec. 121. Adjustments as a result of modification in bankruptcy of housing loans guaranteed by the Department of Veterans Affairs.
- Sec. 122. Payment of FHA mortgage insurance benefits.
- Sec. 123. Adjustments as result of modification of rural single family housing loans in bankruptcy.
- Sec. 124. Unenforceability of certain provision as being contrary to public policy.
- Sec. 125. Mortgage modification data collecting and reporting.

## TITLE II—FORECLOSURE MITIGATION AND CREDIT AVAILABILITY

- Sec. 201. Servicer safe harbor for mortgage loan modifications.
- Sec. 202. Changes to HOPE for Homeowners Program.
- Sec. 203. Requirements for FHA-approved mortgagees.
- Sec. 204. Enhancement of liquidity and stability of insured depository institutions to ensure availability of credit and reduction of foreclosures.
- Sec. 205. Application of GSE conforming loan limit to mortgages assisted with TARP funds.
- Sec. 206. Mortgages on certain homes on leased land.
- Sec. 207. Sense of Congress regarding mortgage revenue bond purchases.

## TITLE III—MORTGAGE FRAUD

- Sec. 301. Short title.
- Sec. 302. Nationwide Mortgage Fraud Task Force.

## TITLE IV—FORECLOSURE MORATORIUM PROVISIONS

- Sec. 401. Sense of the Congress on foreclosures.

1           **TITLE I—PREVENTION OF**  
2           **MORTGAGE FORECLOSURES**  
3           **Subtitle A—Modification of**  
4           **Residential Mortgages**

5   **SEC. 100. DEFINITION.**

6           Section 101 of title 11, United States Code, is  
7   amended by inserting after paragraph (43) the following  
8   (and make such technical and conforming changes as may  
9   be appropriate):

10           “(43A) The term ‘qualified loan modification’  
11           means a loan modification agreement made in ac-  
12           cordance with the guidelines of the Obama Adminis-  
13           tration’s Homeowner Affordability and Stability  
14           Plan as implemented March 4, 2009, that—

15           “(A) reduces the debtor’s payment (includ-  
16           ing principal and interest, and payments for  
17           real estate taxes, hazard insurance, mortgage  
18           insurance premium, homeowners’ association  
19           dues, ground rent, and special assessments) on  
20           a loan secured by a senior security interest in  
21           the principal residence of the debtor, to a per-  
22           centage of the debtor’s income in accordance  
23           with such guidelines, without any period of neg-  
24           ative amortization or under which the aggregate  
25           amount of the regular periodic payments would

1 not fully amortize the outstanding principal  
2 amount of such loan;

3 “(B) requires no fees or charges to be paid  
4 by the debtor in order to obtain such modifica-  
5 tion; and

6 “(C) permits the debtor to continue to  
7 make payments under the modification agree-  
8 ment notwithstanding the filing of a case under  
9 this title, as if such case had not been filed.”.

10 **SEC. 101. ELIGIBILITY FOR RELIEF.**

11 Section 109 of title 11, United States Code, is  
12 amended—

13 (1) by adding at the end of subsection (e) the  
14 following: “For purposes of this subsection, the com-  
15 putation of debts shall not include the secured or  
16 unsecured portions of—

17 “(1) debts secured by the debtor’s principal res-  
18 idence if the value of such residence as of the date  
19 of the order for relief under chapter 13 is less than  
20 the applicable maximum amount of noncontingent,  
21 liquidated, secured debts specified in this subsection;  
22 or

23 “(2) debts secured or formerly secured by what  
24 was the debtor’s principal residence that was sold in  
25 foreclosure or that the debtor surrendered to the

1 creditor if the value of such real property as of the  
2 date of the order for relief under chapter 13 was less  
3 than the applicable maximum amount of noncontin-  
4 gent, liquidated, secured debts specified in this sub-  
5 section.”, and

6 (2) by adding at the end of subsection (h) the  
7 following:

8 “(5) Notwithstanding the 180-day period speci-  
9 fied in paragraph (1), with respect to a debtor in a  
10 case under chapter 13 who submits to the court a  
11 certification that the debtor has received notice that  
12 the holder of a claim secured by the debtor’s prin-  
13 cipal residence may commence a foreclosure on the  
14 debtor’s principal residence, the requirements of  
15 paragraph (1) shall be considered to be satisfied if  
16 the debtor satisfies such requirements not later than  
17 the expiration of the 30-day period beginning on the  
18 date of the filing of the petition.”.

19 **SEC. 102. PROHIBITING CLAIMS ARISING FROM VIOLA-**  
20 **TIONS OF THE TRUTH IN LENDING ACT.**

21 Section 502(b) of title 11, United States Code, is  
22 amended—

23 (1) in paragraph (8) by striking “or” at the  
24 end,

1           (2) in paragraph (9) by striking the period at  
2 the end and inserting “; or”, and

3           (3) by adding at the end the following:

4           “(10) the claim for a loan secured by a security  
5 interest in the debtor’s principal residence is subject  
6 to a remedy for rescission under the Truth in Lend-  
7 ing Act notwithstanding the prior entry of a fore-  
8 closure judgment, except that nothing in this para-  
9 graph shall be construed to modify, impair, or super-  
10 sede any other right of the debtor.”.

11 **SEC. 103. AUTHORITY TO MODIFY CERTAIN MORTGAGES.**

12       Section 1322 of title 11, United States Code, is  
13 amended—

14           (1) in subsection (b)—

15               (A) by redesignating paragraph (11) as  
16 paragraph (12),

17               (B) in paragraph (10) by striking “and” at  
18 the end, and

19               (C) by inserting after paragraph (10) the  
20 following:

21           “(11) notwithstanding paragraph (2), with re-  
22 spect to a claim for a loan originated before the ef-  
23 fective date of this paragraph and secured by a secu-  
24 rity interest in the debtor’s principal residence that  
25 is the subject of a notice that a foreclosure may be

1 commenced with respect to such loan, modify the  
2 rights of the holder of such claim (and the rights of  
3 the holder of any claim secured by a subordinate se-  
4 curity interest in such residence)—

5 “(A) by providing for payment of the  
6 amount of the allowed secured claim as deter-  
7 mined under section 506(a)(1);

8 “(B) if any applicable rate of interest is  
9 adjustable under the terms of such loan by pro-  
10 hibiting, reducing, or delaying adjustments to  
11 such rate of interest applicable on and after the  
12 date of filing of the plan;

13 “(C) by modifying the terms and condi-  
14 tions of such loan—

15 “(i) to extend the repayment period  
16 for a period that is no longer than the  
17 longer of 40 years (reduced by the period  
18 for which such loan has been outstanding)  
19 or the remaining term of such loan, begin-  
20 ning on the date of the order for relief  
21 under this chapter; and

22 “(ii) to provide for the payment of in-  
23 terest accruing after the date of the order  
24 for relief under this chapter at a fixed an-  
25 nual rate equal to the currently applicable

1 average prime offer rate as of the date of  
2 the order for relief under this chapter, cor-  
3 responding to the repayment term deter-  
4 mined under the preceding paragraph, as  
5 published by the Federal Financial Institu-  
6 tions Examination Council in its table enti-  
7 tled ‘Average Prime Offer Rates—Fixed’,  
8 plus a reasonable premium for risk; and

9 “(D) by providing for payments of such  
10 modified loan directly to the holder of the claim  
11 or, at the discretion of the court, through the  
12 trustee during the term of the plan; and”, and  
13 (2) by adding at the end the following:

14 “(g) A claim may be reduced under subsection  
15 (b)(11)(A) only on the condition that if the debtor sells  
16 the principal residence securing such claim, before com-  
17 pleting all payments under the plan (or, if applicable, be-  
18 fore receiving a discharge under section 1328(b)) and re-  
19 ceives net proceeds from the sale of such residence, then  
20 the debtor agrees to pay to such holder not later than 15  
21 days after receiving such proceeds—

22 “(1) if such residence is sold in the 1st year oc-  
23 ccurring after the effective date of the plan, 90 per-  
24 cent of the amount of the difference between the  
25 sales price and the amount of such claim as origi-

1 nally determined under subsection (b)(11) (plus  
2 costs of sale and improvements), but not to exceed  
3 the unpaid amount of the allowed secured claim de-  
4 termined as if such claim had not been reduced  
5 under such subsection;

6 “(2) if such residence is sold in the 2d year oc-  
7 ccurring after the effective date of the plan, 70 per-  
8 cent of the amount of the difference between the  
9 sales price and the amount of such claim as origi-  
10 nally determined under subsection (b)(11) (plus  
11 costs of sale and improvements), but not to exceed  
12 the unpaid amount of the allowed secured claim de-  
13 termined as if such claim had not been reduced  
14 under such subsection;

15 “(3) if such residence is sold in the 3d year oc-  
16 ccurring after the effective date of the plan, 50 per-  
17 cent of the amount of the difference between the  
18 sales price and the amount of such claim as origi-  
19 nally determined under subsection (b)(11) (plus  
20 costs of sale and improvements), but not to exceed  
21 the unpaid amount of the allowed secured claim de-  
22 termined as if such claim had not been reduced  
23 under such subsection;

24 “(4) if such residence is sold in the 4th year oc-  
25 ccurring after the effective date of the plan, 30 per-

1 cent of the amount of the difference between the  
2 sales price and the amount of such claim as origi-  
3 nally determined under subsection (b)(11) (plus  
4 costs of sale and improvements), but not to exceed  
5 the unpaid amount of the allowed secured claim de-  
6 termined as if such claim had not been reduced  
7 under such subsection; and

8 “(5) if such residence is sold in the 5th year oc-  
9 ccurring after the effective date of the plan, 10 per-  
10 cent of the amount of the difference between the  
11 sales price and the amount of such claim as origi-  
12 nally determined under subsection (b)(11) (plus  
13 costs of sale and improvements), but not to exceed  
14 the unpaid amount of the allowed secured claim de-  
15 termined as if such claim had not been reduced  
16 under such subsection.

17 “(h) With respect to a claim of the kind described  
18 in subsection (b)(11), the plan may not contain a modi-  
19 fication under the authority of subsection (b)(11)—

20 “(1) in a case commenced under this chapter  
21 after the expiration of the 30-day period beginning  
22 on the effective date of this subsection, unless—

23 “(A) the debtor certifies that the debtor—

24 “(i) not less than 30 days before the  
25 commencement of the case, contacted the

1 holder of such claim (or the entity col-  
2 lecting payments on behalf of such holder)  
3 regarding modification of the loan that is  
4 the subject of such claim;

5 “(ii) provided the holder of the claim  
6 (or the entity collecting payments on be-  
7 half of such holder) a written statement of  
8 the debtor’s current income, expenses, and  
9 debt substantially conforming with the  
10 schedules required under section 521(a) or  
11 such other form as is promulgated by the  
12 Judicial Conference of the United States  
13 for such purpose; and

14 “(iii) considered any qualified loan  
15 modification offered to the debtor by the  
16 holder of the claim (or the entity collecting  
17 payments on behalf of such holder); or

18 “(B) a foreclosure sale is scheduled to  
19 occur on a date in the 30-day period beginning  
20 on the date of case is commenced;

21 “(2) in any other case pending under this chap-  
22 ter, unless the debtor certifies that the debtor at-  
23 tempted to contact the holder of such claim (or the  
24 entity collecting payments on behalf of such holder)

1 regarding modification of the loan that is the subject  
2 of such claim, before—

3 “(A) filing a plan under section 1321 that  
4 contains a modification under the authority of  
5 subsection (b)(11); or

6 “(B) modifying a plan under section 1323  
7 or 1329 to contain a modification under the au-  
8 thority of subsection (b)(11).

9 “(i) In determining the holder’s allowed secured claim  
10 under section 506(a)(1) for purposes of subsection  
11 (b)(11)(A), the value of the debtor’s principal residence  
12 shall be the fair market value of such residence on the  
13 date such value is determined and, if the issue of value  
14 is contested, the court shall determine such value in ac-  
15 cordance with the appraisal rules used by the Federal  
16 Housing Administration.”.

17 **SEC. 104. COMBATING EXCESSIVE FEES.**

18 Section 1322(c) of title 11, United States Code, is  
19 amended—

20 (1) in paragraph (1) by striking “and” at the  
21 end,

22 (2) in paragraph (2) by striking the period at  
23 the end and inserting a semicolon, and

24 (3) by adding at the end the following:

1           “(3) the debtor, the debtor’s property, and  
2 property of the estate are not liable for a fee, cost,  
3 or charge that is incurred while the case is pending  
4 and arises from a debt that is secured by the debt-  
5 or’s principal residence except to the extent that—

6           “(A) the holder of the claim for such debt  
7 files with the court and serves on the trustee,  
8 the debtor, and the debtor’s attorney (annually  
9 or, in order to permit filing consistent with  
10 clause (ii), at such more frequent periodicity as  
11 the court determines necessary) notice of such  
12 fee, cost, or charge before the earlier of—

13           “(i) 1 year after such fee, cost, or  
14 charge is incurred; or

15           “(ii) 60 days before the closing of the  
16 case; and

17           “(B) such fee, cost, or charge—

18           “(i) is lawful under applicable non-  
19 bankruptcy law, reasonable, and provided  
20 for in the applicable security agreement;  
21 and

22           “(ii) is secured by property the value  
23 of which is greater than the amount of  
24 such claim, including such fee, cost, or  
25 charge;

1           “(4) the failure of a party to give notice de-  
2           scribed in paragraph (3) shall be deemed a waiver  
3           of any claim for fees, costs, or charges described in  
4           paragraph (3) for all purposes, and any attempt to  
5           collect such fees, costs, or charges shall constitute a  
6           violation of section 524(a)(2) or, if the violation oc-  
7           curs before the date of discharge, of section 362(a);  
8           and

9           “(5) a plan may provide for the waiver of any  
10          prepayment penalty on a claim secured by the debt-  
11          or’s principal residence.”.

12 **SEC. 105. CONFIRMATION OF PLAN.**

13          (a) Section 1325(a) of title 11, United States Code,  
14 is amended—

15               (1) in the matter preceding paragraph (1)  
16               strike “subsection (b)” and insert “subsections (b)  
17               and (d)”.

18               (2) in paragraph (5)—

19                       (A) by inserting “except as otherwise pro-  
20                       vided in section 1322(b)(11),” after “(5)”, and

21                       (B) in subparagraph (B)(iii)(I) by insert-  
22                       ing “(including payments of a claim modified  
23                       under section 1322(b)(11))” after “payments”  
24                       the 1st place it appears,

1           (3) in paragraph (8) by striking “and” at the  
2 end,

3           (4) in paragraph (9) by striking the period at  
4 the end and inserting a semicolon, and

5           (5) by inserting after paragraph (9) the fol-  
6 lowing:

7           “(10) notwithstanding subclause (I) of para-  
8 graph (5)(B)(i), whenever the plan modifies a claim  
9 in accordance with section 1322(b)(11), the holder  
10 of a claim whose rights are modified pursuant to  
11 section 1322(b)(11) shall retain the lien until the  
12 later of—

13                   “(A) the payment of such holder’s allowed  
14 secured claim; or

15                   “(B) completion of all payments under the  
16 plan (or, if applicable, receipt of a discharge  
17 under section 1328(b)); and

18           “(11) whenever the plan modifies a claim in ac-  
19 cordance with section 1322(b)(11), the court finds  
20 that such modification is in good faith (Lack of good  
21 faith exists if the debtor has no need for relief under  
22 this paragraph because the debtor can pay all of his  
23 or her debts and any future payment increases on  
24 such debts without difficulty for the foreseeable fu-  
25 ture, including the positive amortization of mortgage

1 debt. In determining whether a reduction of the  
2 principal amount of the loan resulting from a modi-  
3 fication made under the authority of section  
4 1322(b)(11) is made in good faith, the court shall  
5 consider whether the holder of such claim (or the en-  
6 tity collecting payments on behalf of such holder)  
7 has offered to the debtor a qualified loan modifica-  
8 tion that would enable the debtor to pay such debts  
9 and such loan without reducing such principal  
10 amount.) and does not find that the debtor has been  
11 convicted of obtaining by actual fraud the extension,  
12 renewal, or refinancing of credit that gives rise to a  
13 modified claim.”.

14 (b) Section 1325 of title 11, United States Code, is  
15 amended by adding at the end the following (and make  
16 such technical and conforming changes as may be appro-  
17 priate):

18 “(d) Notwithstanding section 1322(b)(11)(C)(ii), the  
19 court, on request of the debtor or the holder of a claim  
20 secured by a senior security interest in the debtor’s prin-  
21 cipal residence, may confirm a plan proposing a reduction  
22 in the interest rate on the loan secured by such security  
23 interest and that does not reduce the principal, provided  
24 the total monthly mortgage payment is reduced to a per-  
25 centage of the debtor’s income in accordance with the

1 guidelines of the Obama Administration’s Homeowner Af-  
2 fordability and Stability Plan as implemented March 4,  
3 2009, if, taking into account the debtor’s financial situa-  
4 tion, after allowance of expenses that would be permitted  
5 for a debtor under this chapter subject to paragraph (3)  
6 of subsection (b), regardless of whether the debtor is oth-  
7 erwise subject to such paragraph, and taking into account  
8 additional debts and fees that are to be paid in this chap-  
9 ter and thereafter, the debtor would be able to prevent  
10 foreclosure and pay a fully amortizing 30-year loan at  
11 such reduced interest rate without such reduction in prin-  
12 cipal.”.

13 **SEC. 106. DISCHARGE.**

14 Section 1328(a) of title 11, United States Code, is  
15 amended—

16 (1) by inserting “(other than payments to hold-  
17 ers of claims whose rights are modified under sec-  
18 tion 1322(b)(11))” after “paid”, and

19 (2) in paragraph (1) by inserting “or, to the ex-  
20 tent of the unpaid portion of an allowed secured  
21 claim, provided for in section 1322(b)(11)” after  
22 “1322(b)(5)”.

1 **SEC. 107. STANDING TRUSTEE FEES.**

2 (a) AMENDMENT TO TITLE 28.—Section  
3 586(e)(1)(B)(i) of title 28, United States Code, is amend-  
4 ed—

5 (1) by inserting “(I) except as provided in sub-  
6 paragraph (II)” after “(i)”,

7 (2) by striking “or” at the end and inserting  
8 “and”, and

9 (3) by adding at the end the following:

10 “(II) 4 percent with respect to pay-  
11 ments received under section 1322(b)(11)  
12 of title 11 by the individual as a result of  
13 the operation of section 1322(b)(11)(D) of  
14 title 11, unless the bankruptcy court  
15 waives all fees with respect to such pay-  
16 ments based on a determination that such  
17 individual has income less than 150 per-  
18 cent of the income official poverty line (as  
19 defined by the Office of Management and  
20 Budget, and revised annually in accord-  
21 ance with section 673(2) of the Omnibus  
22 Budget Reconciliation Act of 1981) appli-  
23 cable to a family of the size involved and  
24 payment of such fees would render the  
25 debtor’s plan infeasible.”.

1 (b) CONFORMING PROVISION.—The amendments  
2 made by this section shall apply to any trustee to whom  
3 the provisions of section 302(d)(3) of the Bankruptcy  
4 Judges, United States Trustees, and Family Farmer  
5 Bankruptcy Act of 1986 (Public Law 99–554; 100 Stat.  
6 3121) apply.

7 **SEC. 108. EFFECTIVE DATE; APPLICATION OF AMEND-**  
8 **MENTS.**

9 (a) EFFECTIVE DATE.—Except as provided in sub-  
10 section (b), this subtitle and the amendments made by this  
11 subtitle shall take effect on the date of the enactment of  
12 this Act.

13 (b) APPLICATION OF AMENDMENTS.—

14 (1) IN GENERAL.—Except as provided in para-  
15 graph (2), the amendments made by this subtitle  
16 shall apply with respect to cases commenced under  
17 title 11 of the United States Code before, on, or  
18 after the date of the enactment of this Act.

19 (2) LIMITATION.—Paragraph (1) shall not  
20 apply with respect to cases closed under title 11 of  
21 the United States Code as of the date of the enact-  
22 ment of this Act that are neither pending on appeal  
23 in, nor appealable to, any court of the United  
24 States.

1 **SEC. 109. GAO STUDY.**

2       The Comptroller General shall carry out a study, and  
3 submit to the Committee on the Judiciary of the House  
4 of Representatives and the Committee on the Judiciary  
5 of the Senate, not later than 2 years after the date of  
6 the enactment of this Act a report containing—

7           (1) the results of such study of—

8                   (A) the number of debtors who filed, dur-  
9                   ing the 1-year period beginning on the date of  
10                   the enactment of this Act, cases under chapter  
11                   13 of title 11 of the United States Code for the  
12                   purpose of restructuring their principal resi-  
13                   dence mortgages,

14                   (B) the number of mortgages restructured  
15                   under the amendments made by this subtitle  
16                   that subsequently resulted in default and fore-  
17                   closure,

18                   (C) a comparison between the effectiveness  
19                   of mortgages restructured under programs out-  
20                   side of bankruptcy, such as Hope Now and  
21                   Help for Homeowners, and mortgages restruc-  
22                   tured under the amendments made by this sub-  
23                   title,

24                   (D) the number of cases presented to the  
25                   bankruptcy courts where mortgages were re-

1 structured under the amendments made by this  
2 subtitle that were appealed,

3 (E) the number of cases presented to the  
4 bankruptcy courts where mortgages were re-  
5 structured under the amendments made by the  
6 subtitle that were overturned on appeal, and

7 (F) the number of bankruptcy judges dis-  
8 ciplined as a result of actions taken to restruc-  
9 ture mortgages under the amendments made by  
10 this subtitle, and

11 (2) a recommendation as to whether such  
12 amendments should be amended to include a sunset  
13 clause.

14 **SEC. 110. REPORT TO CONGRESS.**

15 Not later than 18 months after the date of the enact-  
16 ment of this Act, the Comptroller General, in consultation  
17 with the Federal Housing Administration, shall submit to  
18 the Congress, a report containing—

19 (1) a comprehensive review of the effects of the  
20 amendments made by this subtitle on bankruptcy  
21 court,

22 (2) a survey of whether the program should  
23 limit the types of homeowners eligible for the pro-  
24 gram, and

1           (3) a recommendation on whether such amend-  
2           ments should remain in effect.

3           **Subtitle B—Related Mortgage**  
4           **Modification Provisions**

5           **SEC. 121. ADJUSTMENTS AS A RESULT OF MODIFICATION**  
6                           **IN BANKRUPTCY OF HOUSING LOANS GUAR-**  
7                           **ANTEED BY THE DEPARTMENT OF VETERANS**  
8                           **AFFAIRS.**

9           (a) IN GENERAL.—Section 3732 of title 38, United  
10          States Code, is amended—

11                   (1) in subsection (a)—

12                           (A) by redesignating paragraph (2) as sub-  
13                           paragraph (A) of paragraph (2), and

14                           (2) by inserting after subparagraph (A) the fol-  
15          lowing new subparagraph:

16                           “(B) In the event that a housing loan  
17                           guaranteed under this chapter is modified  
18                           under the authority provided under section  
19                           1322(b) of title 11, United States Code, the  
20                           Secretary may pay the holder of the obligation  
21                           the unpaid balance of the obligation due as of  
22                           the date of the filing of the petition under title  
23                           11, United States Code, plus accrued interest,  
24                           but only upon the assignment, transfer, and de-  
25                           livery to the Secretary (in a form and manner

1           satisfactory to the Secretary) of all rights, in-  
 2           interest, claims, evidence, and records with re-  
 3           spect to the housing loan.”.

4           (b) MATURITY OF HOUSING LOANS.—Paragraph (1)  
 5 of section (d) of section 3703 of title 38, United States  
 6 Code, is amended by inserting “at the time of origination”  
 7 after “loan”.

8           (c) IMPLEMENTATION.—The Secretary of Veterans  
 9 Affairs may implement the amendments made by this sec-  
 10 tion through notice, procedure notice, or administrative  
 11 notice.

12 **SEC. 122. PAYMENT OF FHA MORTGAGE INSURANCE BENE-**  
 13 **FITS.**

14           (a) IN GENERAL.—Subsection (a) of section 204 of  
 15 the National Housing Act (12 U.S.C. 1710(a)) is amend-  
 16 ed—

17           (1) in paragraph (1), by adding at the end the  
 18 following new subparagraph:

19                   “(E) MODIFICATION OF MORTGAGE IN  
 20                   BANKRUPTCY.—

21                           “(i) AUTHORITY.—If an order is en-  
 22                           tered under the authority provided under  
 23                           section 1322(b) of title 11, United States  
 24                           Code, that (a) determines the amount of  
 25                           an allowed secured claim under a mortgage

1 in accordance with section 506(a)(1) of  
2 title 11, United States Code, and the  
3 amount of such allowed secured claim is  
4 less than the amount due under the mort-  
5 gage as of the date of the filing of the peti-  
6 tion under title 11, United States Code, or  
7 (b) reduces the interest to be paid under a  
8 mortgage in accordance with section 1325  
9 of such title, the Secretary may pay insur-  
10 ance benefits for the mortgage as follows:

11 “(I) FULL PAYMENT AND AS-  
12 SIGNMENT.—The Secretary may pay  
13 the insurance benefits for the mort-  
14 gage, but only upon the assignment,  
15 transfer, and delivery to the Secretary  
16 of all rights, interest, claims, evidence,  
17 and records with respect to the mort-  
18 gage specified in clauses (i) through  
19 (iv) of paragraph (1)(A). The insur-  
20 ance benefits shall be paid in the  
21 amount equal to the original principal  
22 obligation of the mortgage (with such  
23 additions and deductions as the Sec-  
24 retary determines are appropriate)  
25 which was unpaid upon the date of

1 the filing of by the mortgagor of the  
2 petition under title 11 of the United  
3 States Code. Nothing in this Act may  
4 be construed to prevent the Secretary  
5 from providing insurance under this  
6 title for a mortgage that has pre-  
7 viously been assigned to the Secretary  
8 under this subclause. The decision of  
9 whether to utilize the authority under  
10 this subclause for payment and as-  
11 signment shall be at the election of  
12 the mortgagee, subject to such terms  
13 and conditions as the Secretary may  
14 establish.

15 “(II) ASSIGNMENT OF UNSE-  
16 CURED CLAIM.—The Secretary may  
17 make a partial payment of the insur-  
18 ance benefits for any unsecured claim  
19 under the mortgage, but only upon  
20 the assignment to the Secretary of  
21 any unsecured claim of the mortgagee  
22 against the mortgagor or others aris-  
23 ing out of such order. Such assign-  
24 ment shall be deemed valid irrespec-  
25 tive of whether such claim has been or

1 will be discharged under title 11 of  
2 the United States Code. The insur-  
3 ance benefits shall be paid in the  
4 amount specified in subclause (I) of  
5 this clause, as such amount is reduced  
6 by the amount of the allowed secured  
7 claim. Such allowed secured claim  
8 shall continue to be insured under sec-  
9 tion 203.

10 “(III) INTEREST PAYMENTS.—

11 The Secretary may make periodic pay-  
12 ments, or a one-time payment, of in-  
13 surance benefits for interest payments  
14 that are reduced pursuant to such  
15 order, as determined by the Secretary,  
16 but only upon assignment to the Sec-  
17 retary of all rights and interest re-  
18 lated to such payments.

19 “(ii) DELIVERY OF EVIDENCE OF  
20 ENTRY OF ORDER.—Notwithstanding any  
21 other provision of this paragraph, no insur-  
22 ance benefits may be paid pursuant to this  
23 subparagraph for a mortgage before deliv-  
24 ery to the Secretary of evidence of the  
25 entry of the order issued pursuant to title

1           11, United States Code, in a form satisfac-  
2           tory to the Secretary.”;

3           (2) in paragraph (5), in the matter preceding  
4           subparagraph (A), by inserting after “section 520,  
5           and” the following: “, except as provided in para-  
6           graph (1)(E),”; and

7           (3) by adding at the end the following new  
8           paragraph:

9           “(10) LOAN MODIFICATION PROGRAM.—

10           “(A) AUTHORITY.—The Secretary may  
11           carry out a program solely to encourage loan  
12           modifications for eligible delinquent mortgages  
13           through the payment of insurance benefits and  
14           assignment of the mortgage to the Secretary  
15           and the subsequent modification of the terms of  
16           the mortgage according to a loan modification  
17           approved by the mortgagee.

18           “(B) PAYMENT OF BENEFITS AND ASSIGN-  
19           MENT.—Under the program under this para-  
20           graph, the Secretary may pay insurance bene-  
21           fits for a mortgage, in the amount determined  
22           in accordance with paragraph (5)(A), without  
23           reduction for any amounts modified, but only  
24           upon the assignment, transfer, and delivery to  
25           the Secretary of all rights, interest, claims, evi-

1            dence, and records with respect to the mortgage  
2            specified in clauses (i) through (iv) of para-  
3            graph (1)(A).

4            “(C) DISPOSITION.—After modification of  
5            a mortgage pursuant to this paragraph, the  
6            Secretary may provide insurance under this  
7            title for the mortgage. The Secretary may sub-  
8            sequently—

9            “(i) re-assign the mortgage to the  
10           mortgagee under terms and conditions as  
11           are agreed to by the mortgagee and the  
12           Secretary;

13           “(ii) act as a Government National  
14           Mortgage Association issuer, or contract  
15           with an entity for such purpose, in order  
16           to pool the mortgage into a Government  
17           National Mortgage Association security; or

18           “(iii) re-sell the mortgage in accord-  
19           ance with any program that has been es-  
20           tablished for purchase by the Federal Gov-  
21           ernment of mortgages insured under this  
22           title, and the Secretary may coordinate  
23           standards for interest rate reductions  
24           available for loan modification with inter-  
25           est rates established for such purchase.

1           “(D) LOAN SERVICING.—In carrying out  
2           the program under this section, the Secretary  
3           may require the existing servicer of a mortgage  
4           assigned to the Secretary under the program to  
5           continue servicing the mortgage as an agent of  
6           the Secretary during the period that the Sec-  
7           retary acquires and holds the mortgage for the  
8           purpose of modifying the terms of the mort-  
9           gage. If the mortgage is resold pursuant to sub-  
10          paragraph (C)(iii), the Secretary may provide  
11          for the existing servicer to continue to service  
12          the mortgage or may engage another entity to  
13          service the mortgage.”.

14          (b) AMENDMENT TO PARTIAL CLAIM AUTHORITY.—  
15          Paragraph (1) of section 230(b) of the National Housing  
16          Act (12 U.S.C. 1715u(b)(1)) is amended by striking “12  
17          of the monthly mortgage payments” and inserting “30  
18          percent of the unpaid principal balance of the mortgage”.

19          (c) IMPLEMENTATION.—The Secretary of Housing  
20          and Urban Development may implement the amendments  
21          made by this section through notice or mortgagee letter.

1 **SEC. 123. ADJUSTMENTS AS RESULT OF MODIFICATION OF**  
2 **RURAL SINGLE FAMILY HOUSING LOANS IN**  
3 **BANKRUPTCY.**

4 (a) **GUARANTEED RURAL HOUSING LOANS.**—Sub-  
5 section (h) of section 502 of the Housing Act of 1949 (42  
6 U.S.C. 1472(h)) is amended—

7 (1) in paragraph (7)—

8 (A) in subparagraph (A), by inserting be-  
9 fore the period at the end the following: “, un-  
10 less the maturity date of the loan is modified in  
11 a bankruptcy proceeding or at the discretion of  
12 the Secretary”; and

13 (B) in subparagraph (B), by inserting be-  
14 fore the semicolon the following: “, unless such  
15 rate is modified in a bankruptcy proceeding”;

16 (2) by redesignating paragraphs (13) and (14)  
17 as paragraphs (14) and (15), respectively; and

18 (3) by inserting after paragraph (12) the fol-  
19 lowing new paragraph:

20 “(13) **PAYMENT OF GUARANTEE.**—In addition  
21 to all other authorities to pay a guarantee claim, the  
22 Secretary may also pay the guaranteed portion of  
23 any losses incurred by the holder of a note or the  
24 servicer resulting from a modification of a note by  
25 a bankruptcy proceeding.”.

1 (b) INSURED RURAL HOUSING LOANS.—Subsection  
2 (j) of section 517 of the Housing Act of 1949 (42 U.S.C.  
3 1487(j)) is amended—

4 (1) by redesignating paragraphs (2) through  
5 (7) as paragraphs (3) through (8), respectively; and

6 (2) by inserting after paragraph (1) the fol-  
7 lowing new paragraph:

8 “(2) to pay for losses incurred by holders or  
9 servicers in the event of a modification pursuant to  
10 a bankruptcy proceeding;”.

11 (c) IMPLEMENTATION.—The Secretary of Agriculture  
12 may implement the amendments made by this section  
13 through notice, procedure notice, or administrative notice.

14 **SEC. 124. UNENFORCEABILITY OF CERTAIN PROVISION AS**  
15 **BEING CONTRARY TO PUBLIC POLICY.**

16 No provision in any investment contract between a  
17 servicer and a securitization vehicle or investor in effect  
18 as of the date of enactment of this Act that requires excess  
19 bankruptcy losses that exceed a certain dollar amount on  
20 residential mortgages to be borne by classes of certificates  
21 on a pro rata basis that refers to types of bankruptcy  
22 losses that could not have been incurred under the law  
23 in effect at the time such contract was entered into shall  
24 be enforceable, as such provision shall be contrary to pub-  
25 lic policy. Notwithstanding this section, such reference to

1 types of bankruptcy losses that could have been incurred  
2 under the law in effect at the time such contract was en-  
3 tered into shall be enforceable.

4 **SEC. 125. MORTGAGE MODIFICATION DATA COLLECTING**  
5 **AND REPORTING.**

6 (a) **REPORTING REQUIREMENTS.**—Not later than  
7 120 days after the date of the enactment of this Act, and  
8 quarterly thereafter, the Comptroller of the Currency, in  
9 coordination with the Director of the Office of Thrift Su-  
10 pervision, shall submit a report to the Committee on  
11 Banking, Housing, and Urban Affairs of the Senate, the  
12 Committee on Financial Services of the House of Rep-  
13 resentatives, and the Joint Economic Committee on the  
14 volume of mortgage modifications reported to the Office  
15 of the Comptroller of the Currency and the Office of  
16 Thrift Supervision, under the mortgage metrics program  
17 of each such Office, during the previous quarter, including  
18 the following:

19 (1) A copy of the data collection instrument  
20 currently used by the Office of the Comptroller of  
21 the Currency and the Office of Thrift Supervision to  
22 collect data on loan modifications.

23 (2) The total number of mortgage modifications  
24 resulting in each of the following:

1 (A) Additions of delinquent payments and  
2 fees to loan balances.

3 (B) Interest rate reductions and freezes.

4 (C) Term extensions.

5 (D) Reductions of principal.

6 (E) Deferrals of principal.

7 (F) Combinations of modifications de-  
8 scribed in subparagraph (A), (B), (C), (D), or  
9 (E).

10 (3) The total number of mortgage modifications  
11 in which the total monthly principal and interest  
12 payment resulted in the following:

13 (A) An increase.

14 (B) Remained the same.

15 (C) Decreased less than 10 percent.

16 (D) Decreased between 10 percent and 20  
17 percent.

18 (E) Decreased 20 percent or more.

19 (4) The total number of loans that have been  
20 modified and then entered into default, where the  
21 loan modification resulted in—

22 (A) higher monthly payments by the home-  
23 owner;

24 (B) equivalent monthly payments by the  
25 homeowner;

1           (C) lower monthly payments by the home-  
2 owner of up to 10 percent;

3           (D) lower monthly payments by the home-  
4 owner of between 10 percent to 20 percent; or

5           (E) lower monthly payments by the home-  
6 owner of more than 20 percent.

7       (b) DATA COLLECTION.—

8           (1) REQUIRED.—

9           (A) IN GENERAL.—Not later than 60 days  
10 after the date of the enactment of this Act, the  
11 Comptroller of the Currency and the Director  
12 of the Office of Thrift Supervision, shall issue  
13 mortgage modification data collection and re-  
14 porting requirements to institutions covered  
15 under the reporting requirement of the mort-  
16 gage metrics program of the Comptroller or the  
17 Director.

18           (B) INCLUSIVENESS OF COLLECTIONS.—

19 The requirements under subparagraph (A) shall  
20 provide for the collection of all mortgage modi-  
21 fication data needed by the Comptroller of the  
22 Currency and the Director of the Office of  
23 Thrift Supervision to fulfill the reporting re-  
24 quirements under subsection (a).

1           (2) REPORT.—The Comptroller of the Currency  
2 shall report all requirements established under para-  
3 graph (1) to each committee receiving the report re-  
4 quired under subsection (a).

5 **TITLE II—FORECLOSURE MITI-**  
6 **GATION AND CREDIT AVAIL-**  
7 **ABILITY**

8 **SEC. 201. SERVICER SAFE HARBOR FOR MORTGAGE LOAN**  
9 **MODIFICATIONS.**

10 (a) SAFE HARBOR.—

11           (1) LOAN MODIFICATIONS AND WORKOUT  
12 PLANS.—Notwithstanding any other provision of  
13 law, and notwithstanding any investment contract  
14 between a servicer and a securitization vehicle or in-  
15 vestor, a servicer that acts consistent with the duty  
16 set forth in section 129A(a) of Truth in Lending Act  
17 (15 U.S.C. 1639a) shall not be liable for entering  
18 into a loan modification, workout, or other loss miti-  
19 gation plan, including, but not limited to, disposi-  
20 tion, including any modification or refinancing un-  
21 dertaken pursuant to standard loan modification,  
22 sale, or disposition guidelines issued by the Sec-  
23 retary of the Treasury or his designee under the  
24 Emergency Economic Stabilization Act of 2008, with

1       respect to any such mortgage that meets all of the  
2       criteria set forth in paragraph (2)(B) to—

3               (A) any person, based on that person’s  
4               ownership of a residential mortgage loan or any  
5               interest in a pool of residential mortgage loans  
6               or in securities that distribute payments out of  
7               the principal, interest and other payments in  
8               loans on the pool;

9               (B) any person who is obligated pursuant  
10              to a derivatives instrument to make payments  
11              determined in reference to any loan or any in-  
12              terest referred to in subparagraph (A); or

13              (C) any person that insures any loan or  
14              any interest referred to in subparagraph (A)  
15              under any law or regulation of the United  
16              States or any law or regulation of any State or  
17              political subdivision of any State.

18       (2) ABILITY TO MODIFY MORTGAGES.—

19              (A) ABILITY.—Notwithstanding any other  
20              provision of law, and notwithstanding any in-  
21              vestment contract between a servicer and a  
22              securitization vehicle or investor, a servicer—

23                      (i) shall not be limited in the ability  
24                      to modify mortgages, the number of mort-  
25                      gages that can be modified, the frequency

1 of loan modifications, or the range of per-  
2 missible modifications; and

3 (ii) shall not be obligated to repur-  
4 chase loans from or otherwise make pay-  
5 ments to the securitization vehicle on ac-  
6 count of a modification, workout, or other  
7 loss mitigation plan for a residential mort-  
8 gage or a class of residential mortgages  
9 that constitute a part or all of the mort-  
10 gages in the securitization vehicle,

11 if any mortgage so modified meets all of the cri-  
12 teria set forth in subparagraph (B).

13 (B) CRITERIA.—The criteria under this  
14 subparagraph with respect to a mortgage are as  
15 follows:

16 (i) Default on the payment of such  
17 mortgage has occurred or is reasonably  
18 foreseeable.

19 (ii) The property securing such mort-  
20 gage is occupied by the mortgagor of such  
21 mortgage.

22 (iii) The servicer reasonably and in  
23 good faith believes that the anticipated re-  
24 covery on the principal outstanding obliga-  
25 tion of the mortgage under the particular

1           modification or workout plan or other loss  
2           mitigation action will exceed, on a net  
3           present value basis, the anticipated recov-  
4           ery on the principal outstanding obligation  
5           of the mortgage to be realized through  
6           foreclosure.

7           (3) APPLICABILITY.—This subsection shall  
8           apply only with respect to modifications, workouts,  
9           and other loss mitigation plans initiated before Jan-  
10          uary 1, 2012.

11          (b) REPORTING.—Each servicer that engages in loan  
12          modifications or workout plans subject to the safe harbor  
13          in subsection (a) shall report to the Secretary on a regular  
14          basis regarding the extent, scope and results of the  
15          servicer’s modification activities. The Secretary shall pre-  
16          scribe regulations specifying the form, content, and timing  
17          of such reports.

18          (c) DEFINITIONS.—For purposes of this section, the  
19          following definitions shall apply:

20                  (1) SECRETARY.—The term “Secretary” means  
21                  the Secretary of the Treasury.

22                  (2) SECURITIZATION VEHICLE.—The term  
23                  “securitization vehicle” means a trust, corporation,  
24                  partnership, limited liability entity, special purpose  
25                  entity, or other structure that—

1 (A) is the issuer, or is created by the  
2 issuer, of mortgage pass-through certificates,  
3 participation certificates, mortgage-backed secu-  
4 rities, or other similar securities backed by a  
5 pool of assets that includes residential mortgage  
6 loans; and

7 (B) holds such mortgages.

8 **SEC. 202. CHANGES TO HOPE FOR HOMEOWNERS PRO-**  
9 **GRAM.**

10 (a) PROGRAM CHANGES.—Section 257 of the Na-  
11 tional Housing Act (12 U.S.C. 1715z–23) is amended—

12 (1) in subsection (c)—

13 (A) in the heading for paragraph (1), by  
14 striking “THE BOARD” and inserting “SEC-  
15 RETARY”;

16 (B) in paragraph (1), by striking “Board”  
17 inserting “Secretary, after consultation with the  
18 Board,”; and

19 (C) by adding after paragraph (2) the fol-  
20 lowing:

21 “(3) DUTIES OF BOARD.—The Board shall ad-  
22 vise the Secretary regarding the establishment and  
23 implementation of the HOPE for Homeowners Pro-  
24 gram.”.

1           (2) by striking “Board” each place such term  
2 appears in subsections (e), (h)(1), (h)(3), (j), (l),  
3 (n), (s)(3), and (v) and inserting “Secretary”;

4           (3) in subsection (e)—

5           (A) by striking paragraph (1) and insert-  
6 ing the following:

7           “(1) BORROWER CERTIFICATION.—

8           “(A) NO INTENTIONAL DEFAULT OR  
9 FALSE INFORMATION.—The mortgagor shall  
10 provide a certification to the Secretary that the  
11 mortgagor has not intentionally defaulted on  
12 the existing mortgage or mortgages and has not  
13 knowingly, or willfully and with actual knowl-  
14 edge, furnished material information known to  
15 be false for the purpose of obtaining the eligible  
16 mortgage to be insured and has not been con-  
17 victed under Federal or State law for fraud  
18 during the 10-year period ending upon the in-  
19 surance of the mortgage under this section.

20           “(B) LIABILITY FOR REPAYMENT.—The  
21 mortgagor shall agree in writing that the mort-  
22 gagor shall be liable to repay to the Secretary  
23 any direct financial benefit achieved from the  
24 reduction of indebtedness on the existing mort-  
25 gage or mortgages on the residence refinanced

1 under this section derived from misrepresenta-  
2 tions made by the mortgagor in the certifi-  
3 cations and documentation required under this  
4 paragraph, subject to the discretion of the Sec-  
5 retary.”;

6 (B) in paragraph (4)(A), by striking “;  
7 subject to standards established by the Board  
8 under subparagraph (B),”;

9 (C) in paragraph (7), by striking “and pro-  
10 vided that” and all that follows through “new  
11 second lien” and inserting “and except that the  
12 Secretary may, under such terms and condi-  
13 tions as the Secretary may establish, permit the  
14 establishment of a second lien on a property  
15 under an eligible mortgage to be insured, for  
16 the purpose of facilitating payment of closing or  
17 refinancing costs by a State or locality using  
18 funds provided under the HOME Investment  
19 Partnerships program under title II of the  
20 Cranston-Gonzalez National Affordable Hous-  
21 ing Act (42 U.S.C. 12721 et seq.) or the com-  
22 munity development block grants program  
23 under title I of the Housing and Community  
24 Development Act of 1974 (42 U.S.C. 5301 et

1 seq.) or by a State or local housing finance  
2 agency”;

3 (D) in paragraph (9)—

4 (i) by striking “by procuring (A) an  
5 income tax return transcript of the income  
6 tax return of the mortgagor, or (B)” and  
7 inserting “in accordance with procedures  
8 and standards that the Secretary shall es-  
9 tablish, which may include requiring the  
10 mortgagee to procure”; and

11 (ii) by striking “and by any other  
12 method, in accordance with procedures and  
13 standards that the Board shall establish”;

14 (E) by striking subparagraph (10);

15 (F) in paragraph (11), by inserting before  
16 the period at the end the following: “, except  
17 that the Secretary may provide exceptions to  
18 such latter requirement (relating to present  
19 ownership interest) for any mortgagor who has  
20 inherited a property or for any mortgagor who  
21 has relocated to a new jurisdiction, and is in  
22 the process of trying to sell such property or  
23 has been unable to sell such property due to ad-  
24 verse market conditions”;

1 (G) by redesignating paragraph (11) as  
2 paragraph (10); and

3 (H) by adding at the end:

4 “(11) BAN ON MILLIONAIRES.—The mortgagor  
5 shall not have a net worth, as of the date the mort-  
6 gator first applies for a mortgage to be insured  
7 under the Program under this section, that exceeds  
8 \$1,000,000.”;

9 (4) in subsection (h)(2)—

10 (A) by striking “The Board shall prohibit  
11 the Secretary from paying” and inserting “The  
12 Secretary shall not pay”; and

13 (B) by inserting after the period at the end  
14 the following: “In implementing this provision  
15 with respect to a failure by a mortgagor to  
16 make a first payment, the Secretary shall estab-  
17 lish policies and timing of endorsements as con-  
18 sistent as is possible with endorsement policies  
19 established with respect to mortgages insured  
20 under section 203(b)”;

21 (5) in subsection (i)—

22 (A) by inserting “, after weighing maxi-  
23 mization of participation with consideration of  
24 collection of premiums,” after “Secretary  
25 shall”;

1 (B) in paragraph (1), by striking “equal to  
2 3 percent” and inserting “not more than 2 per-  
3 cent”; and

4 (C) in paragraph (2), by striking “equal to  
5 1.5 percent” and inserting “not more than 1  
6 percent”;

7 (6) in subsection (k)—

8 (A) by striking the subsection heading and  
9 inserting “EXIT FEE”;

10 (B) in paragraph (1), in the matter pre-  
11 ceding subparagraph (A), by striking “such sale  
12 or refinancing” and inserting “the mortgage  
13 being insured under this section”; and

14 (C) in paragraph (2), by striking “and the  
15 mortgagor” and all that follows through the  
16 end and inserting “may, upon any sale or dis-  
17 position of the property to which the mortgage  
18 relates, be entitled to up to 50 percent of ap-  
19 preciation, up to the appraised value of the  
20 home at the time when the mortgage being refi-  
21 nanced under this section was originally made.  
22 The Secretary may share any amounts received  
23 under this paragraph with the holder of the eli-  
24 gible mortgage refinanced under this section.”;

1 (7) in the heading for subsection (n), by strik-  
2 ing “THE BOARD” and inserting “SECRETARY”;

3 (8) in subsection (p), by striking “Under the di-  
4 rection of the Board, the” and inserting “The”;

5 (9) in subsection (s)—

6 (A) in the first sentence of paragraph (2),  
7 by striking “Board of Directors of” and insert-  
8 ing “Advisory Board for”; and

9 (B) in paragraph (3)(A)(ii), by striking  
10 “subsection (e)(1)(B) and such other” and in-  
11 serting “such”;

12 (10) in subsection (v), by inserting after the pe-  
13 riod at the end the following: “The Secretary shall  
14 conform documents, forms, and procedures for mort-  
15 gages insured under this section to those in place for  
16 mortgages insured under section 203(b) to the max-  
17 imum extent possible consistent with the require-  
18 ments of this section.”; and

19 (11) by adding at the end the following new  
20 subsections:

21 “(x) PAYMENT TO EXISTING LOAN SERVICER.—The  
22 Secretary may establish a payment to the servicer of the  
23 existing senior mortgage for every loan insured under the  
24 HOPE for Homeowners Program in an amount, for each  
25 such loan, that does not exceed \$1,000.



1           (2) by inserting after subsection (c) the fol-  
2           lowing new subsection:

3           “(d) LIMITATIONS ON PARTICIPATION IN ORIGINA-  
4           TION AND MORTGAGEE APPROVAL.—

5           “(1) REQUIREMENT.—Any person or entity  
6           that is not approved by the Secretary to serve as a  
7           mortgagee, as such term is defined in subsection  
8           (c)(7), shall not participate in the origination of an  
9           FHA-insured loan except as authorized by the Sec-  
10          retary.

11          “(2) ELIGIBILITY FOR APPROVAL.—In order to  
12          be eligible for approval by the Secretary, an appli-  
13          cant mortgagee shall not be, and shall not have any  
14          officer, partner, director, principal, manager, super-  
15          visor, loan processor, loan underwriter, or loan origi-  
16          nator of the applicant mortgagee who is—

17                 “(A) currently suspended, debarred, under  
18                 a limited denial of participation (LDP), or oth-  
19                 erwise restricted under part 24 or 25 of title 24  
20                 of the Code of Federal Regulations, or any suc-  
21                 cessor regulations to such parts, or under simi-  
22                 lar provisions of any other Federal agency;

23                 “(B) under indictment for, or has been  
24                 convicted of, an offense that reflects adversely  
25                 upon the applicant’s integrity, competence or

1 fitness to meet the responsibilities of an ap-  
2 proved mortgagee;

3 “(C) subject to unresolved findings con-  
4 tained in a Department of Housing and Urban  
5 Development or other governmental audit, in-  
6 vestigation, or review;

7 “(D) engaged in business practices that do  
8 not conform to generally accepted practices of  
9 prudent mortgagees or that demonstrate irre-  
10 sponsibility;

11 “(E) convicted of, or who has pled guilty  
12 or nolo contendere to, a felony related to partici-  
13 pation in the real estate or mortgage loan in-  
14 dustry—

15 “(i) during the 7-year period pre-  
16 ceding the date of the application for li-  
17 censing and registration; or

18 “(ii) at any time preceding such date  
19 of application, if such felony involved an  
20 act of fraud, dishonesty, or a breach of  
21 trust, or money laundering;

22 “(F) in violation of provisions of the  
23 S.A.F.E. Mortgage Licensing Act of 2008 (12  
24 U.S.C. 5101 et seq.) or any applicable provision  
25 of State law; or

1           “(G) in violation of any other requirement  
2           as established by the Secretary.

3           “(3) RULEMAKING AND IMPLEMENTATION.—

4           The Secretary shall conduct a rulemaking to carry  
5           out this subsection. The Secretary shall implement  
6           this subsection not later than the expiration of the  
7           60-day period beginning upon the date of the enact-  
8           ment of this subsection by notice, mortgagee letter,  
9           or interim final regulations, which shall take effect  
10          upon issuance.”; and

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

13          “(h) USE OF NAME.—The Secretary shall, by regula-  
14          tion, require each mortgagee approved by the Secretary  
15          for participation in the FHA mortgage insurance pro-  
16          grams of the Secretary—

17                 “(1) to use the business name of the mortgagee  
18                 that is registered with the Secretary in connection  
19                 with such approval in all advertisements and pro-  
20                 motional materials, as such terms are defined by the  
21                 Secretary, relating to the business of such mort-  
22                 gagee in such mortgage insurance programs; and

23                 “(2) to maintain copies of all such advertise-  
24                 ments and promotional materials, in such form and  
25                 for such period as the Secretary requires.”.

1 (c) CHANGE OF STATUS.—The National Housing Act  
2 is amended by striking section 532 (12 U.S.C. 1735f–10)  
3 and inserting the following new section:

4 **“SEC. 532. CHANGE OF MORTGAGEE STATUS.**

5 “(a) NOTIFICATION.—Upon the occurrence of any ac-  
6 tion described in subsection (b), an approved mortgagee  
7 shall immediately submit to the Secretary, in writing, noti-  
8 fication of such occurrence.

9 “(b) ACTIONS.—The actions described in this sub-  
10 section are as follows:

11 “(1) The debarment, suspension of a Limited  
12 Denial of Participation (LDP), or application of  
13 other sanctions, fines, or penalties applied to the  
14 mortgagee or to any officer, partner, director, prin-  
15 cipal, manager, supervisor, loan processor, loan un-  
16 derwriter, or loan originator of the mortgagee pursu-  
17 ant to applicable provisions of State or Federal law.

18 “(2) The revocation of a State-issued mortgage  
19 loan originator license issued pursuant to the  
20 S.A.F.E. Mortgage Licensing Act of 2008 (12  
21 U.S.C. 5101 et seq.) or any other similar declaration  
22 of ineligibility pursuant to State law.”.

23 (d) CIVIL MONEY PENALTIES.—Section 536 of the  
24 National Housing Act (12 U.S.C. 1735f–14) is amend-  
25 ed—

1 (1) in subsection (b)—

2 (A) in paragraph (1)—

3 (i) in the matter preceding subpara-  
4 graph (A), by inserting “or any of its own-  
5 ers, officers, or directors” after “mort-  
6 gagee or lender”;

7 (ii) in subparagraph (H), by striking  
8 “title I” and all that follows through “Act  
9 of 1989)” and inserting “title I or II”; and

10 (iii) by inserting after subparagraph  
11 (J) the following:

12 “(K) Violation of section 202(d) of this  
13 Act (12 U.S.C. 1708(d)).”; and

14 (B) in paragraph (2)—

15 (i) in subparagraph (B), by striking  
16 “or” at the end;

17 (ii) in subparagraph (C), by striking  
18 the period at the end and inserting “; or”;  
19 and

20 (iii) by adding at the end the fol-  
21 lowing new subparagraph:

22 “(D) causing or participating in any of the  
23 violations set forth in paragraph (1) of this sub-  
24 section.”; and

1           (2) in subsection (g), by striking “The term”  
2           and all that follows through the end of the sentence  
3           and inserting “For purposes of this section, a person  
4           acts knowingly when a person has actual knowledge  
5           of acts or should have known of the acts.”.

6           (e) EXPANDED REVIEW OF FHA MORTGAGEE AP-  
7           PLICANTS AND NEWLY APPROVED MORTGAGEES.—Not  
8           later than the expiration of the 3-month period beginning  
9           upon the date of the enactment of this Act, the Secretary  
10          of Housing and Urban Development shall—

11           (1) expand the existing process for reviewing  
12          new applicants for approval for participation in the  
13          mortgage insurance programs of the Secretary for  
14          mortgages on 1- to 4-family residences for the pur-  
15          pose of identifying applicants who represent a high  
16          risk to the Mutual Mortgage Insurance Fund; and

17           (2) implement procedures that, for mortgagees  
18          approved during the 12-month period ending upon  
19          such date of enactment—

20           (A) expand the number of mortgages origi-  
21          nated by such mortgagees that are reviewed for  
22          compliance with applicable laws, regulations,  
23          and policies; and

24           (B) include a process for random reviews  
25          of such mortgagees and a process for reviews

1           that is based on volume of mortgages originated  
2           by such mortgagees.

3 **SEC. 204. ENHANCEMENT OF LIQUIDITY AND STABILITY OF**  
4           **INSURED DEPOSITORY INSTITUTIONS TO EN-**  
5           **SURE AVAILABILITY OF CREDIT AND REDUC-**  
6           **TION OF FORECLOSURES.**

7           (a) PERMANENT INCREASE IN DEPOSIT INSUR-  
8 ANCE.—

9           (1) AMENDMENTS TO FEDERAL DEPOSIT IN-  
10 SURANCE ACT.—Effective upon the date of the en-  
11 actment of this Act, section 11(a) of the Federal De-  
12 posit Insurance Act (12 U.S.C. 1821(a)) is amend-  
13 ed—

14           (A) in paragraph (1)(E), by striking  
15 “\$100,000” and inserting “\$250,000”;

16           (B) in paragraph (1)(F)(i), by striking  
17 “2010” and inserting “2015”;

18           (C) in subclause (I) of paragraph  
19 (1)(F)(i), by striking “\$100,000” and inserting  
20 “\$250,000”;

21           (D) in subclause (II) of paragraph  
22 (1)(F)(i), by striking “the calendar year pre-  
23 ceding the date this subparagraph takes effect  
24 under the Federal Deposit Insurance Reform

1 Act of 2005” and inserting “calendar year  
2 2008”; and

3 (E) in paragraph (3)(A), by striking “, ex-  
4 cept that \$250,000 shall be substituted for  
5 \$100,000 wherever such term appears in such  
6 paragraph”.

7 (2) AMENDMENT TO FEDERAL CREDIT UNION  
8 ACT.—Section 207(k) of the Federal Credit Union  
9 Act (12 U.S.C. 1787(k)) is amended—

10 (A) in paragraph (3)—

11 (i) by striking the opening quotation  
12 mark before “\$250,000”;

13 (ii) by striking “, except that  
14 \$250,000 shall be substituted for \$100,000  
15 wherever such term appears in such sec-  
16 tion”; and

17 (iii) by striking the closing quotation  
18 mark after the closing parenthesis; and

19 (B) in paragraph (5), by striking  
20 “\$100,000” and inserting “\$250,000”.

21 (3) REPEAL OF EESA PROVISION.—Section 136  
22 of the Emergency Economic Stabilization Act (12  
23 U.S.C. 5241) is hereby repealed.

24 (b) EXTENSION OF RESTORATION PLAN PERIOD.—  
25 Section 7(b)(3)(E)(ii) of the Federal Deposit Insurance

1 Act (12 U.S.C. 1817(b)(3)(E)(ii)) is amended by striking  
2 “5-year period” and inserting “8-year period”.

3 (c) FDIC AND NCUA BORROWING AUTHORITY.—

4 (1) FDIC.—Section 14(a) of the Federal De-  
5 posit Insurance Act (12 U.S.C. 1824(a)) is amended  
6 by striking “\$30,000,000,000” and inserting  
7 “\$100,000,000,000”.

8 (2) NCUA.—Section 203(d)(1) of the Federal  
9 Credit Union Act (12 U.S.C. 1783(d)(1)) is amend-  
10 ed by striking “\$100,000,000” and inserting  
11 “\$6,000,000,000”.

12 (d) EXPANDING SYSTEMIC RISK SPECIAL ASSESS-  
13 MENTS.—Section 13(c)(4)(G)(ii) of the Federal Deposit  
14 Insurance Act (12 U.S.C. 1823(c)(4)(G)(ii)) is amended  
15 to read as follows:

16 “(ii) REPAYMENT OF LOSS.—

17 “(I) IN GENERAL.—The Corpora-  
18 tion shall recover the loss to the De-  
19 posit Insurance Fund arising from  
20 any action taken or assistance pro-  
21 vided with respect to an insured de-  
22 pository institution under clause (i)  
23 from 1 or more special assessments on  
24 insured depository institutions, depository  
25 institution holding companies

1 (with the concurrence of the Secretary  
2 of the Treasury with respect to hold-  
3 ing companies), or both, as the Cor-  
4 poration determines to be appropriate.

5 “(II) TREATMENT OF DEPOSI-  
6 TORY INSTITUTION HOLDING COMPA-  
7 NIES.—For purposes of this clause,  
8 sections 7(c)(2) and 18(h) shall apply  
9 to depository institution holding com-  
10 panies as if they were insured depository  
11 institutions.

12 “(III) REGULATIONS.—The Cor-  
13 poration shall prescribe such regula-  
14 tions as it deems necessary to imple-  
15 ment this clause. In prescribing such  
16 regulations, defining terms, and set-  
17 ting the appropriate assessment rate  
18 or rates, the Corporation shall estab-  
19 lish rates sufficient to cover the losses  
20 incurred as a result of the actions of  
21 the Corporation under clause (i) and  
22 shall consider: the types of entities  
23 that benefit from any action taken or  
24 assistance provided under this sub-  
25 paragraph; economic conditions, the

1 effects on the industry, and such  
 2 other factors as the Corporation  
 3 deems appropriate and relevant to the  
 4 action taken or the assistance pro-  
 5 vided. Any funds so collected that ex-  
 6 ceed actual losses shall be placed in  
 7 the Deposit Insurance Fund.”.

8 (e) ESTABLISHMENT OF A NATIONAL CREDIT UNION  
 9 SHARE INSURANCE FUND RESTORATION PLAN PE-  
 10 RIOD.—Section 202(c)(2) of the Federal Credit Union Act  
 11 (12 U.S.C. 1782(c)(2)) is amended by adding at the end  
 12 the following new subparagraph:

13 “(D) FUND RESTORATION PLANS.—

14 “(i) IN GENERAL.—Whenever—

15 “(I) the Board projects that the  
 16 equity ratio of the Fund will, within 6  
 17 months of such determination, fall  
 18 below the minimum amount specified  
 19 in subparagraph (C) for the des-  
 20 ignated equity ratio; or

21 “(II) the equity ratio of the Fund  
 22 actually falls below the minimum  
 23 amount specified in subparagraph (C)  
 24 for the equity ratio without any deter-

1                   mination under sub-clause (I) having  
2                   been made,  
3                   the Board shall establish and implement a  
4                   Share Insurance Fund restoration plan  
5                   within 90 days that meets the require-  
6                   ments of clause (ii) and such other condi-  
7                   tions as the Board determines to be appro-  
8                   priate.

9                   “(ii) REQUIREMENTS OF RESTORA-  
10                  TION PLAN.—A Share Insurance Fund res-  
11                  toration plan meets the requirements of  
12                  this clause if the plan provides that the eq-  
13                  uity ratio of the Fund will meet or exceed  
14                  the minimum amount specified in subpara-  
15                  graph (C) for the designated equity ratio  
16                  before the end of the 5-year period begin-  
17                  ning upon the implementation of the plan  
18                  (or such longer period as the Board may  
19                  determine to be necessary due to extraor-  
20                  dinary circumstances).

21                  “(iii) TRANSPARENCY.—Not more  
22                  than 30 days after the Board establishes  
23                  and implements a restoration plan under  
24                  clause (i), the Board shall publish in the  
25                  Federal Register a detailed analysis of the

1 factors considered and the basis for the ac-  
2 tions taken with regard to the plan.”.

3 **SEC. 205. APPLICATION OF GSE CONFORMING LOAN LIMIT**  
4 **TO MORTGAGES ASSISTED WITH TARP**  
5 **FUNDS.**

6 In making any assistance available to prevent and  
7 mitigate foreclosures on residential properties, including  
8 any assistance for mortgage modifications, using any  
9 amounts made available to the Secretary of the Treasury  
10 under title I of the Emergency Economic Stabilization Act  
11 of 2008, the Secretary shall provide that the limitation  
12 on the maximum original principal obligation of a mort-  
13 gage that may be modified, refinanced, made, guaranteed,  
14 insured, or otherwise assisted, using such amounts shall  
15 not be less than the dollar amount limitation on the max-  
16 imum original principal obligation of a mortgage that may  
17 be purchased by the Federal Home Loan Mortgage Cor-  
18 poration that is in effect, at the time that the mortgage  
19 is modified, refinanced, made, guaranteed, insured, or oth-  
20 erwise assisted using such amounts, for the area in which  
21 the property involved in the transaction is located.

1 **SEC. 206. MORTGAGES ON CERTAIN HOMES ON LEASED**  
 2 **LAND.**

3 Section 255(b)(4) of the National Housing Act (12  
 4 U.S.C. 1715z–20(b)(4)) is amended by striking subpara-  
 5 graph (B) and inserting:

6 “(B) under a lease that has a term that  
 7 ends no earlier than the minimum number of  
 8 years, as specified by the Secretary, beyond the  
 9 actuarial life expectancy of the mortgagor or co-  
 10 mortgagor, whichever is the later date.”.

11 **SEC. 207. SENSE OF CONGRESS REGARDING MORTGAGE**  
 12 **REVENUE BOND PURCHASES.**

13 It is the sense of the Congress that the Secretary of  
 14 the Treasury should use amounts made available in this  
 15 Act to purchase mortgage revenue bonds for single-family  
 16 housing issued through State housing finance agencies  
 17 and through units of local government and agencies there-  
 18 of.

19 **TITLE III—MORTGAGE FRAUD**

20 **SEC. 301. SHORT TITLE.**

21 This title may be cited as the “Nationwide Mortgage  
 22 Fraud Task Force Act of 2009”.

23 **SEC. 302. NATIONWIDE MORTGAGE FRAUD TASK FORCE.**

24 (a) ESTABLISHMENT.—There is established in the  
 25 Department of Justice the Nationwide Mortgage Fraud  
 26 Task Force (hereinafter referred to in this section as the

1 “Task Force”) to address mortgage fraud in the United  
2 States.

3 (b) SUPPORT.—The Attorney General shall provide  
4 the Task Force with the appropriate staff, administrative  
5 support, and other resources necessary to carry out the  
6 duties of the Task Force.

7 (c) EXECUTIVE DIRECTOR.—The Attorney General  
8 shall appoint one staff member provided to the Task Force  
9 to be the Executive Director of the Task Force and such  
10 Executive Director shall ensure that the duties of the Task  
11 Force are carried out.

12 (d) BRANCHES.—The Task Force shall establish,  
13 oversee, and direct branches in each of the 10 States de-  
14 termined by the Attorney General to have the highest con-  
15 centration of mortgage fraud.

16 (e) MANDATORY FUNCTIONS.—The Task Force, in-  
17 cluding the branches of the Task Force established under  
18 subsection (d), shall—

19 (1) establish coordinating entities, and solicit  
20 the voluntary participation of Federal, State, and  
21 local law enforcement and prosecutorial agencies in  
22 such entities, to organize initiatives to address mort-  
23 gage fraud, including initiatives to enforce State  
24 mortgage fraud laws and other related Federal and  
25 State laws;

1           (2) provide training to Federal, State, and local  
2 law enforcement and prosecutorial agencies with re-  
3 spect to mortgage fraud, including related Federal  
4 and State laws;

5           (3) collect and disseminate data with respect to  
6 mortgage fraud, including Federal, State, and local  
7 data relating to mortgage fraud investigations and  
8 prosecutions; and

9           (4) perform other functions determined by the  
10 Attorney General to enhance the detection of, pre-  
11 vention of, and response to mortgage fraud in the  
12 United States.

13       (f) OPTIONAL FUNCTIONS.—The Task Force, includ-  
14 ing the branches of the Task Force established under sub-  
15 section (d), may—

16           (1) initiate and coordinate Federal mortgage  
17 fraud investigations and, through the coordinating  
18 entities established under subsection (e), State and  
19 local mortgage fraud investigations;

20           (2) establish a toll-free hotline for—

21                   (A) reporting mortgage fraud;

22                   (B) providing the public with access to in-  
23 formation and resources with respect to mort-  
24 gage fraud; and

1 (C) directing reports of mortgage fraud to  
2 the appropriate Federal, State, and local law  
3 enforcement and prosecutorial agency, including  
4 to the appropriate branch of the Task Force es-  
5 tablished under subsection (d);

6 (3) create a database with respect to suspen-  
7 sions and revocations of mortgage industry licenses  
8 and certifications to facilitate the sharing of such in-  
9 formation by States;

10 (4) make recommendations with respect to the  
11 need for and resources available to provide the  
12 equipment and training necessary for the Task  
13 Force to combat mortgage fraud; and

14 (5) propose legislation to Federal, State, and  
15 local legislative bodies with respect to the elimination  
16 and prevention of mortgage fraud, including meas-  
17 ures to address mortgage loan procedures and prop-  
18 erty appraiser practices that provide opportunities  
19 for mortgage fraud.

20 (g) DEFINITION.—In this section, the term “mort-  
21 gage fraud” means a material misstatement, misrepresen-  
22 tation, or omission relating to the property or potential  
23 mortgage relied on by an underwriter or lender to fund,  
24 purchase, or insure a loan.

1           **TITLE IV—FORECLOSURE**  
2           **MORATORIUM PROVISIONS**

3   **SEC. 401. SENSE OF THE CONGRESS ON FORECLOSURES.**

4           (a) IN GENERAL.—It is the sense of the Congress  
5 that mortgage holders, institutions, and mortgage  
6 servicers should not initiate a foreclosure proceeding or  
7 a foreclosure sale on any homeowner until the foreclosure  
8 mitigation provisions, like the Hope for Homeowners pro-  
9 gram, as required under title II, and the President’s  
10 “Homeowner Affordability and Stability Plan” have been  
11 implemented and determined to be operational by the Sec-  
12 retary of Housing and Urban Development and the Sec-  
13 retary of the Treasury.

14           (b) SCOPE OF MORATORIUM.—The foreclosure mora-  
15 torium referred to in subsection (a) should apply only for  
16 first mortgages secured by the owner’s principal dwelling.

17           (c) FHA-REGULATED LOAN MODIFICATION AGREE-  
18 MENTS.—If a mortgage holder, institution, or mortgage  
19 servicer to which subsection (a) applies reaches a loan  
20 modification agreement with a homeowner under the aus-  
21 pices of the Federal Housing Administration before any  
22 plan referred to in such subsection takes effect, subsection  
23 (a) shall cease to apply to such institution as of the effec-  
24 tive date of the loan modification agreement.

1           (d) DUTY OF CONSUMER TO MAINTAIN PROPERTY.—  
2 Any homeowner for whose benefit any foreclosure pro-  
3 ceeding or sale is barred under subsection (a) from being  
4 instituted, continued , or consummated with respect to any  
5 homeowner mortgage should not, with respect to any prop-  
6 erty securing such mortgage, destroy, damage, or impair  
7 such property, allow the property to deteriorate, or commit  
8 waste on the property.

9           (e) DUTY OF CONSUMER TO RESPOND TO REASON-  
10 ABLE INQUIRIES.—Any homeowner for whose benefit any  
11 foreclosure proceeding or sale is barred under subsection  
12 (a) from being instituted, continued, or consummated with  
13 respect to any homeowner mortgage should respond to  
14 reasonable inquiries from a creditor or servicer during the  
15 period during which such foreclosure proceeding or sale  
16 is barred.

**Calendar No. 51**

111<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**S. 895**

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**A BILL**

To prevent mortgage foreclosures and enhance  
mortgage credit availability.

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APRIL 27, 2009

Read the second time and placed on the calendar