

112TH CONGRESS
1ST SESSION

H. R. 1859

To ensure the availability of reasonably priced conventional mortgages to borrowers in all economic cycles by encouraging private sector capital to support the secondary mortgage market, limiting the role of the Federal government and the exposure of taxpayers, and other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2011

Mr. CAMPBELL (for himself and Mr. PETERS) introduced the following bill;
which was referred to the Committee on Financial Services

A BILL

To ensure the availability of reasonably priced conventional mortgages to borrowers in all economic cycles by encouraging private sector capital to support the secondary mortgage market, limiting the role of the Federal government and the exposure of taxpayers, and other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Housing Finance Re-
5 form Act of 2011”.

6 **SEC. 2. STATEMENT OF PURPOSES.**

7 The purposes of this Act are to—

1 (1) ensure the availability of reasonably priced
2 conventional residential mortgages to qualified bor-
3 rowers in all economic cycles;

4 (2) provide incentives for private sector capital
5 to support the secondary market for residential
6 mortgages;

7 (3) limit the role of the Federal Government in
8 the secondary market for residential mortgages and
9 the exposure of taxpayers to the operations of the
10 secondary markets for residential mortgages; and

11 (4) provide for the orderly wind down of the
12 Federal National Mortgage Association and the Fed-
13 eral Home Loan Mortgage Corporation.

14 **SEC. 3. ESTABLISHMENT, OPERATION, SUPERVISION, AND**
15 **REGULATION OF HOUSING FINANCE GUAR-**
16 **ANTY ASSOCIATIONS.**

17 The Federal Housing Enterprises Financial Safety
18 and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) is
19 amended by inserting the following new subtitle D, and
20 designating the existing subtitles D and E as subtitles E
21 and F, respectively, and renumbering the sections of those
22 subtitles accordingly:

1 **“Subtitle D—Establishment, Oper-**
2 **ation, Supervision, and Regula-**
3 **tion of Housing Finance Guar-**
4 **antee Associations**

5 **“SEC. 1381. DEFINITIONS.**

6 “For purposes of this subtitle, the following defini-
7 tions shall apply:

8 “(1) ASSOCIATION.—The term ‘association’
9 means a housing finance guarantee association char-
10 tered by the Director pursuant to section 1382.

11 “(2) ASSOCIATION-AFFILIATED PARTY.—The
12 term ‘association-affiliated party’ means—

13 “(A) any director, officer, employee, or
14 controlling stockholder of, or agent for, an asso-
15 ciation;

16 “(B) any shareholder, affiliate, consultant,
17 or joint venture partner of an association, and
18 any other person, as determined by the Director
19 (by regulation or on a case-by-case basis) that
20 participates in the conduct of the affairs of an
21 association;

22 “(C) any independent contractor for an as-
23 sociation (including any attorney, appraiser, or
24 accountant), if—

1 “(i) the independent contractor know-
2 ingly or recklessly participates in—

3 “(I) any violation of any law or
4 regulation;

5 “(II) any breach of fiduciary
6 duty; or

7 “(III) any unsafe or unsound
8 practice; and

9 “(ii) such violation, breach, or prac-
10 tice caused, or is likely to cause, more than
11 a minimal financial loss to, or a significant
12 adverse effect on, the association.

13 “(3) CONVENTIONAL MORTGAGE.—The term
14 ‘conventional mortgage’ means a mortgage loan as
15 defined in section 1390(e)(2).

16 “(4) FEDERAL HOUSING FINANCE AGENCY SE-
17 CURITY.—The term ‘Federal Housing Finance Agen-
18 cy security’ means a security issued by an associa-
19 tion through the Office of Securitization that con-
20 forms to the terms and conditions of section 1387.

21 “(5) LIMITED-LIFE ASSOCIATION.—The term
22 ‘limited-life association’ means, with respect to an
23 association in default or in danger of default, an en-
24 tity organized by the Agency under section 1367(i)
25 with respect to such association.

1 “(6) OFFICE OF SECURITIZATION.—The term
2 ‘Office of Securitization’ means the Office estab-
3 lished by section 1386.

4 “(7) ORGANIZER.—The term ‘organizer’ means
5 the person or group of persons seeking to organize
6 an association.

7 “(8) PERSON.—The term ‘person’ means any
8 natural person or business entity.

9 **“SEC. 1382. ESTABLISHMENT OF HOUSING FINANCE GUAR-
10 ANTY ASSOCIATIONS.**

11 “(a) DIRECTOR’S AUTHORITY.—The Director is au-
12 thorized, under such regulations as the Director may pre-
13 scribe, to provide for the organization, incorporation, ex-
14 amination, operation, and regulation of housing finance
15 guaranty associations, and to issue charters for such enti-
16 ties.

17 “(b) FORMATION OF ASSOCIATIONS; ARTICLES OF
18 ASSOCIATION.—Subject to the terms of this Act and regu-
19 lations issued by the Director, an organizer may file an
20 application with the Director to establish an association.
21 The association may be chartered as a corporation, mutual
22 association, partnership, limited liability corporation, co-
23 operative, or any other organizational form that the orga-
24 nizer may deem appropriate. The Director may not require
25 the organizer to adopt any particular organizational form.

1 “(c) CONTENTS OF THE APPLICATION.—An applica-
2 tion for establishment of an association shall include—

3 “(1) the proposed articles of association;

4 “(2) a statement of the general object and pur-
5 poses of the association;

6 “(3) the proposed capitalization and business
7 plan for the association;

8 “(4) information on the financial resources of
9 the organizers;

10 “(5) a statement of the relevant housing fi-
11 nance experience of the organizers;

12 “(6) identification of the proposed senior man-
13 agers of the association and the relevant experience
14 of such individuals; and

15 “(7) any other information the Director deter-
16 mines may be necessary to evaluate the background,
17 experience, and integrity of the organizers and the
18 proposed senior managers, or information otherwise
19 necessary to determine the likely success of the pro-
20 posed association.

21 “(d) ISSUANCE OF CHARTERS AND CHARTERING
22 CRITERIA.—

23 “(1) IN GENERAL.—The Director may issue a
24 charter for an association to commence business if
25 the Director determines that the proposed associa-

1 tion would be consistent with the purposes of this
2 Act and the Housing Finance Reform Act of 2011,
3 and that the association would have the managerial
4 and financial resources to succeed.

5 “(2) CHARTERING CRITERIA.—In making the
6 determination under paragraph (1), the Director
7 shall consider the competence, experience, and integ-
8 rity of the organizer and proposed senior managers
9 of the association, and the financial resources and
10 future prospects of the proposed association. The
11 Director may not issue a charter if the organizer
12 fails to—

13 “(A) comply with all applicable formation
14 requirements;

15 “(B) provide all information requested by
16 the Director;

17 “(C) demonstrate the competence, experi-
18 ence, and integrity necessary to operate the as-
19 sociation in a safe or sound manner;

20 “(D) demonstrate sufficient financial re-
21 sources necessary to operate the association in
22 a safe or sound manner; or

23 “(E) provide the Director with assurances
24 that the association will make available to the
25 Director, on an on-going basis, such informa-

1 tion on the operations or activities of the asso-
2 ciation, or any affiliate of the association, that
3 the Director deems necessary to ensure the safe
4 and sound operation of the association and to
5 enforce compliance with this Act.

6 “(3) EXPLANATION FOR DENIAL.—Within 30
7 days of denying any application for the issuance of
8 a charter under this section, the Director shall pro-
9 vide the organizer with a written explanation of the
10 basis for the denial.

11 “(e) SPECIAL PURPOSE ASSOCIATIONS.—

12 “(1) IN GENERAL.—The Director may issue a
13 special purpose charter to the organizer of an asso-
14 ciation if the operations of the proposed association
15 would be limited to serving a particular mortgage
16 market, such as multifamily housing, or a particular
17 category of mortgage lenders, such as community
18 banks. All provisions of this Act that apply to asso-
19 ciations shall apply to special purpose associations,
20 including the criteria for obtaining a charter.

21 “(2) NONDISCRIMINATION.—The operation of a
22 special purpose association shall not be considered
23 discriminatory for purposes of section 1385(a)(9).

24 “(f) INVESTMENTS BY BANKING ORGANIZATIONS.—
25 A national bank, State bank, trust company, Federal or

1 State credit union, or other banking organization, includ-
2 ing a bank holding company and a savings and loan hold-
3 ing company, may acquire an interest in an association,
4 and hold or dispose of such interest, subject to the provi-
5 sions of this Act, and subject to the approval by the appro-
6 priate Federal banking agency for such institution.

7 **“SEC. 1383. GENERAL POWERS OF ASSOCIATIONS.**

8 “An association may—

9 “(1) adopt and use a corporate seal;

10 “(2) adopt, amend, and repeal by-laws;

11 “(3) sue or be sued;

12 “(4) make contracts and guarantees, incur li-
13 abilities, borrow money, issue notes, bonds, and
14 other obligations;

15 “(5) purchase, receive, hold, and use real and
16 personal property and other assets necessary for the
17 conduct of its operations;

18 “(6) lend money;

19 “(7) invest, and reinvest funds, subject to the
20 limitations of sections 1384 and 1385;

21 “(8) elect or appoint directors, officers, employ-
22 ees, and agents; and

23 “(9) issue securities, membership certificates,
24 and other forms of ownership interests.

1 **“SEC. 1384. HOUSING FINANCE RELATED POWERS OF ASSO-**
2 **CIATIONS.**

3 “In addition to its general powers under section
4 1383, an association may—

5 “(1) purchase, hold, sell, and otherwise deal in
6 conventional mortgages only for the purpose of—

7 “(A) creating a secondary market for such
8 mortgages, including new conventional mort-
9 gage products;

10 “(B) facilitating the securitization of con-
11 ventional mortgages; and

12 “(C) supporting multifamily housing;

13 “(2) issue, through the Office of Securitization,
14 Federal Housing Finance Agency securities;

15 “(3) establish a trust or similar entity that
16 shall not be subject to the claims made by creditors
17 of the association in order to provide for the sale of
18 beneficial interests in pools of mortgage loans or the
19 right to receive interest and principal from such
20 pools;

21 “(4) guarantee the timely payment of principal
22 and interest on Federal Housing Finance Agency se-
23 curities and charge a fee for such guarantee;

24 “(5) ensure that Federal Housing Finance
25 Agency securities are properly serviced, which shall
26 include the right to remove a mortgage servicer in

1 the event the association determines that such
2 servicer fails to perform contractual servicing obliga-
3 tions or other legal requirements imposed on mort-
4 gage servicers; and

5 “(6) hedge credit, interest rate and other risks
6 associated with the purchase and sale of conven-
7 tional mortgages.

8 **“SEC. 1385. PROHIBITED ACTIVITIES.**

9 “(a) IN GENERAL.—An association may not—

10 “(1) originate a mortgage;

11 “(2) service a mortgage;

12 “(3) guarantee timely payment of principal or
13 interest on any mortgage-related security other than
14 a Federal Housing Finance Agency security;

15 “(4) invest in securities other than Federal
16 Housing Finance Agency securities, securities issued
17 by the Federal Government or any agency of the
18 Federal Government, and any other securities
19 deemed appropriate by the Director;

20 “(5) speculate on credit, interest rate, and
21 other risks;

22 “(6) underwrite, offer, sell, or solicit any form
23 of insurance;

24 “(7) purchase any mortgage from an institution
25 that holds a voting interest in the association;

1 “(8) purchase a conventional mortgage secured
2 by a property comprised of one-to-four family dwell-
3 ing units if the outstanding principal balance of the
4 mortgage at the time of purchase exceeds 80 percent
5 of the value of the property securing the mortgage,
6 unless—

7 “(A) the seller retains a participation of
8 not less than 10 percent in the mortgage;

9 “(B) for such period and under such cir-
10 cumstances as the Director may require, the
11 seller agrees to repurchase or replace the mort-
12 gage upon demand of the association in the
13 event that the mortgage is in default; or

14 “(C) that portion of the unpaid principal
15 balance of the mortgage which is in excess of
16 such 80 percent is guaranteed or insured by a
17 qualified insurer, as determined by the Direc-
18 tor.

19 “(9) discriminate against, or provide a pref-
20 erence to, any mortgage originator on the basis of
21 the charter or license of such originator, the asset
22 size of the originator, or the existence any ownership
23 interest in the association by the originator; or

24 “(10) engage in any activity that is not author-
25 ized by this Act.

1 “(b) RULE OF CONSTRUCTION.—Subsection (a)(8)
2 shall not be construed to prevent an association from set-
3 ting standards related to the financial condition of origina-
4 tors from which it may acquire a conventional mortgage
5 or prevent an association from setting guarantee fees
6 based upon the volume of mortgages an originator sells
7 to the association.

8 **“SEC. 1386. OFFICE OF SECURITIZATION.**

9 “(a) IN GENERAL.—The Director shall establish an
10 Office of Securitization within the Agency to facilitate the
11 securitization of conventional mortgages.

12 “(b) FUNCTIONS OF OFFICE.—The Office of
13 Securitization shall—

14 “(1) subject to section 1387, create and label
15 Federal Housing Finance Agency securities;

16 “(2) take such actions as may be necessary to
17 issue the catastrophic federal guarantee described in
18 section 1388 with respect to Federal Housing Fi-
19 nance Agency securities;

20 “(3) impose and collect the fee for the cata-
21 strophic federal guarantee;

22 “(4) administer and service Federal Housing
23 Finance Agency securities, including acting as trust-
24 ee for any trust established by an association for

1 purposes of facilitating the securitization of conven-
2 tional mortgages; and

3 “(5) engage in such other activities the Director
4 determines to be incidental to the securitization of
5 conventional mortgages.

6 “(c) MANAGEMENT OF THE OFFICE.—The Office of
7 Securitization shall be managed by the Deputy Director
8 of the Agency for Housing Finance Guarantee Associa-
9 tion, who shall be designated by the Director in accord-
10 ance with section 1391 and shall be subject to the direc-
11 tion and control of the Director.

12 “(d) NO ECONOMIC INTEREST.—In the performance
13 of its functions, the Office of Securitization shall not as-
14 sume any economic interest in the securities issued by an
15 association.

16 “(e) CONTRACTING AUTHORITY.—The Director may
17 contract with the Government National Mortgage Associa-
18 tion to perform any or all of the functions of the Office
19 of Securitization specified in subsection (b).

20 **“SEC. 1387. FEDERAL HOUSING FINANCE AGENCY SECURI-**
21 **TIES.**

22 “(a) IN GENERAL.—The Director shall establish, by
23 regulation, one or more standard forms for Federal Hous-
24 ing Finance Agency securities issued by associations.

1 “(b) COMMON LABEL; STANDARD TERMS AND CON-
2 DITIONS.—The forms required by subsection (a) shall—

3 “(1) identify the securities as Federal Housing
4 Finance Agency securities;

5 “(2) set forth the terms and conditions for the
6 payment of interest and principal on such securities;

7 “(3) state that such securities are guaranteed
8 by the full faith and credit of the United States,
9 subject to the limitations of section 1388(b);

10 “(4) address the servicing of Federal Housing
11 Finance Agency securities; and

12 “(5) include such other standardized terms and
13 conditions that the Director deems appropriate to
14 enhance the liquidity of the securities, and shall in-
15 clude a representation and warranty certifying that
16 a policy of a title insurance be in place to transfer
17 title-related risks to State licensed title insurance
18 companies for all conventional mortgages
19 collateralizing a Federal Housing Finance Agency
20 security.

21 “(c) LIMITATION.—The forms established by the Di-
22 rector pursuant to subsection (a) shall not prevent Federal
23 Housing Finance Agency securities to vary based upon—

24 “(1) the maturity of the securities;

25 “(2) the yield of the securities;

1 “(3) the type of conventional mortgages that
2 serve as collateral for the securities; or

3 “(4) such other terms and conditions that the
4 Director deems appropriate.

5 “(d) TEMPORARY REGULATION OF GUARANTEE
6 FEES.—

7 “(1) GAO STUDY.—Not later than the expira-
8 tion of the 12-month period beginning upon the date
9 of the enactment of the Housing Finance Reform
10 Act of 2011, the Comptroller General of the United
11 States shall conduct a study to determine the mar-
12 ket value of the catastrophic guarantee under sec-
13 tion 1388 and submit to the Director a report set-
14 ting forth the findings of such study.

15 “(2) AMOUNT.—Taking into consideration the
16 findings of the study pursuant to paragraph (1), the
17 Director shall establish a pricing structure for guar-
18 antee fees by associations that provides for a reason-
19 able rate of return to associations.

20 “(3) QUARTERLY ADJUSTMENT.—After initially
21 establishing the pricing structure pursuant to para-
22 graph (2), the Director shall, on a calendar quar-
23 terly basis, review such prices and adjust the pricing
24 structure as appropriate.

1 “(4) EMERGENCY ADJUSTMENT.—The Director
2 may, at any time, adjust the prices and pricing
3 structure under this subsection if the Director deter-
4 mines that market conditions or other factors re-
5 quire such adjustment.

6 “(5) TERMINATION OF PRICING STRUCTURE.—
7 The Director shall monitor competition between as-
8 sociations to determine the first time at which both
9 are the following conditions exist:

10 “(A) There is sufficient competition be-
11 tween the associations.

12 “(B) The associations, individually and col-
13 lectively, are stable and sufficient to serve the
14 market.

15 Upon such a determination, the Director shall pro-
16 vide for the termination of the applicability and ad-
17 justment of pricing structure under this subsection
18 upon a date certain and shall terminate the pricing
19 structure on such date. On and after such date, each
20 association shall establish guarantee fees to be
21 charged by the association.

22 “(e) DISCLOSURE REQUIREMENT.—

23 “(1) IN GENERAL.—Federal Housing Finance
24 Agency securities shall not be registered securities
25 under the terms of the Securities Act of 1933 (15

1 U.S.C. 77a et seq.) and shall be exempt securities
2 for purposes of the Securities Exchange Act of 1934
3 (15 U.S.C. 78a et seq.).

4 “(2) DISCLOSURE REGULATION.—Notwith-
5 standing paragraph (1), the Director shall, by regu-
6 lation, ensure transparency of Federal Housing Fi-
7 nance Agency securities by requiring each associa-
8 tion to publicly disclose information about the com-
9 position of each pool of mortgages backing the secu-
10 rity, including the average loan-to-value ratio, the
11 average debt-to-income ratio, the average payment
12 history of the mortgagors, the number and value of
13 mortgages from each State, the distribution of mort-
14 gage coupon rates, and whether the mortgages were
15 originated in broker or non-broker channels.

16 **“SEC. 1388. CATASTROPHIC FEDERAL GUARANTEE.**

17 “(a) AUTHORIZATION.—Subject to the limitations in
18 subsection (b), and such other terms and conditions that
19 the Director deems appropriate, the Director shall guar-
20 antee the timely payment of the principal and interest of
21 Federal Housing Finance Agency securities, and the full
22 faith and credit of the United States is hereby pledged
23 to the payment of all amounts which may be required to
24 be paid as a result of such guarantee.

1 “(b) LIMITATIONS.—A guarantee under this section
2 shall apply only if—

3 “(1) the association that issued the securities
4 has been placed into conservatorship or receivership
5 by the Director; and

6 “(2) the Reserve Fund established by section
7 1389 lacks sufficient funds to make the required
8 principal and interest payments.

9 “(c) FEE.—

10 “(1) ESTABLISHMENT.—The Director shall es-
11 tablish, on an annual basis, a fee to be paid by asso-
12 ciations for a guarantee issued under this section in
13 connection with Federal Housing Finance Agency
14 securities issued by such associations.

15 “(2) ADMINISTRATION.—The Director shall im-
16 pose and collect such fee through the Office of
17 Securitization.

18 “(3) AMOUNT.—The Director shall establish
19 the fee at a level to ensure that amounts in the Re-
20 serve Fund are sufficient to cover potential claims
21 on such Fund, taking into consideration—

22 “(A) general economic conditions;

23 “(B) trends in housing prices; and

24 “(C) such other factors that the Director
25 deems appropriate.

1 “(d) SPECIAL ASSESSMENT TO REPAY COST OF
2 FEDERAL GUARANTEE.—

3 “(1) IN GENERAL.—If the Director is required
4 to make payments pursuant to the catastrophic Fed-
5 eral guarantee authorized under subsection (a) in
6 excess of the amounts in the Reserve Fund, the Di-
7 rector shall impose a special assessment on associa-
8 tions to recoup all costs associated with the guar-
9 antee.

10 “(2) CRITERIA.—The Director, by regulation,
11 shall establish criteria for the imposition of a special
12 assessment. Such criteria shall—

13 “(A) apportion the assessment equally
14 among all associations; and

15 “(B) to the extent feasible and prudent,
16 permit associations to pay the assessment over
17 a period of time so that the assessment does
18 not cause an association to be undercapitalized
19 or otherwise materially impair the operations of
20 an association.

21 “(e) NO FEDERAL SUPPORT FOR OTHER SECURI-
22 TIES OR OBLIGATIONS OF ASSOCIATIONS.—This Act may
23 not be construed to authorize or provide any guarantee
24 of any security or obligation of an association by the
25 United States or any agency or instrumentality of the

1 United States, other than Federal Housing Finance Agen-
2 cy securities issued by an association.

3 **“SEC. 1389. RESERVE FUND.**

4 “(a) ESTABLISHMENT; CREDITS.—The Director shall
5 establish a Reserve Fund, which shall be credited with all
6 fees imposed and collected pursuant to section 1388(c).

7 “(b) ORGANIZATION.—The Reserve Fund shall be
8 maintained with a Federal Reserve Bank or with a deposi-
9 tory institution designated as a depository or fiscal agent
10 of the United States.

11 “(c) USE.—Amounts in the Reserve Fund shall be
12 used by the Director, through the Office of Securitization,
13 to make principal and interest payments to the owners of
14 Federal Housing Finance Agency securities issued by an
15 association that has been placed into conservatorship or
16 receivership—

17 “(1) for payment under guarantees issued
18 under subsection (a) of section 1388 only under the
19 terms provided in subsection (b) of such section; and

20 “(2) to the extent such amounts are not other-
21 wise needed, for investment in obligations of the
22 United States or in obligations guaranteed as to
23 principal and interest by the United States.

24 “(d) TREASURY ADVANCE.—

1 “(1) IN GENERAL.—If amounts in the Reserve
2 Fund are insufficient to satisfy the liabilities of the
3 Fund, the Secretary of the Treasury shall advance
4 to the Fund such amounts as may be necessary to
5 meet the obligations of the Fund, as determined by
6 the Director and the Secretary, and the Director
7 shall agree to repay such advance on such terms and
8 conditions as required by the Secretary.

9 “(2) AUTHORIZATION OF APPROPRIATIONS.—
10 There are authorized to be appropriated to the Sec-
11 retary, without fiscal year limitation, such sums as
12 may be necessary to carry out this subsection.

13 **“SEC. 1390. SUPERVISION OF ASSOCIATIONS.**

14 “(a) GENERAL SUPERVISORY AUTHORITY OF DIREC-
15 TOR.—

16 “(1) IN GENERAL.—The Director shall have su-
17 pervisory authority over associations, and may issue
18 such regulations, orders, and interpretations as the
19 Director determines necessary to ensure that an as-
20 sociation operates in a safe and sound manner.

21 “(2) USE OF EXISTING AUTHORITY.—Except as
22 provided in this section, an association, an associa-
23 tion-affiliated party, and a limited-life association
24 shall be subject to the same supervisory and enforce-
25 ment powers of the Director to the same extent as

1 if an association was a regulated entity, the associa-
2 tion-affiliated party was an entity-affiliated party,
3 and the limited-life association was a limited-life en-
4 tity, including—

5 “(A) the enforcement powers under sec-
6 tions 1371 through 1379 (12 U.S.C. 4631–9);

7 “(B) authority to reclassify a capital clas-
8 sification (as established pursuant to subsection
9 (h)(2) of this section) as provided in section
10 1364(c) (12 U.S.C. 4614(c));

11 “(C) authority to restrict capital distribu-
12 tions in accordance with section 1364(e) (12
13 U.S.C. 4614(e));

14 “(D) authority to take prompt corrective
15 supervisory actions in response to capital classi-
16 fications as provided for in sections 1365 and
17 1366 (12 U.S.C. 4615, 4616); and

18 “(E) authority to appoint the Agency as
19 the conservator or a receiver in accordance with
20 section 1367 (12 U.S.C. 4617).

21 “(b) EXAMINATIONS.—The Director shall conduct a
22 full-scope examination of an association not less frequently
23 than once every 12 months, and shall have real-time access
24 to all data and information related to the activities and
25 operations of an association.

1 “(c) CAPITAL STANDARDS.—

2 “(1) ESTABLISHMENT.—The Director shall es-
3 tablish, by regulation, risk-based and leverage cap-
4 ital standards for associations.

5 “(2) CRITERIA.—In setting the capital stand-
6 ards required by paragraph (1), the Director shall
7 take into consideration—

8 “(A) the risk associated with conventional
9 mortgages;

10 “(B) underwriting standards that apply to
11 conventional mortgages; and

12 “(C) such other factors as the Director
13 deems appropriate.

14 “(d) MANAGEMENT AND OPERATIONAL STAND-
15 ARDS.—The Director shall establish, by regulation, stand-
16 ards for the management and operations of associations,
17 including standards related to—

18 “(1) adequacy of internal controls and informa-
19 tion systems taking into account the nature and
20 scale of business operations;

21 “(2) independence and adequacy of internal
22 audit systems;

23 “(3) management of interest rate risk exposure;

24 “(4) management of market risk, including
25 standards that provide for systems that accurately

1 measure, monitor, and control market risks and, as
2 warranted, that establish limitations on market risk;

3 “(5) adequacy and maintenance of liquidity and
4 reserves;

5 “(6) management of asset growth;

6 “(7) investments and acquisitions of assets con-
7 sistent with this Act;

8 “(8) overall risk management processes, includ-
9 ing adequacy of oversight by senior management and
10 the board of directors and of processes and policies
11 to identify, measure, monitor, and control material
12 risks, including reputational risks, and for adequate,
13 well-tested business resumption plans for all major
14 systems with remote site facilities to protect against
15 disruptive events;

16 “(9) management of credit and counterparty
17 risk, including systems to identify concentrations of
18 credit risk and prudential limits to restrict exposure
19 of the association to a single counterparty or groups
20 of related counterparties;

21 “(10) maintenance of adequate records, in ac-
22 cordance with consistent accounting policies and
23 practices that enable the Director to evaluate the fi-
24 nancial condition of the association; and

1 “(11) such other operational and management
2 standards as the Director determines to be appro-
3 priate.

4 “(e) UNDERWRITING STANDARDS FOR CONVEN-
5 TIONAL MORTGAGES.—

6 “(1) REGULATION REQUIRED.—The Director
7 shall establish, by regulation, underwriting stand-
8 ards for conventional mortgage purchased by an as-
9 sociation. Such standards shall be the same as the
10 standards established by the Bureau for Consumer
11 Financial Protection of the Federal Reserve System
12 for qualified mortgages pursuant to section 129C(b)
13 of the Truth in Lending Act (15 U.S.C. 1639c(b);
14 as added by section 1412 of the Dodd-Frank Wall
15 Street Reform and Consumer Protection Act (124
16 Stat. 2145)).

17 “(2) DEFINITION.—For purposes of this sub-
18 section, the term ‘conventional mortgage’ means a
19 loan that—

20 “(A) is secured by a mortgage, lien, or
21 other security interest on a—

22 “(i) a one-to-four family residence
23 that is the principal residence of the mort-
24 gator,

1 “(ii) a property comprising five or
2 more family dwelling units;

3 “(iii) a manufactured home that is the
4 principal residence of the mortgagor; or

5 “(iv) the stock or membership interest
6 or certificate issued to a tenant-stockholder
7 or resident-member of a cooperative hous-
8 ing corporation, as defined in section 216
9 of the Internal Revenue Code of 1986, and
10 in the proprietary lease, occupancy agree-
11 ment, or right of tenancy in the dwelling
12 union of the tenant-stockholder or resi-
13 dent-member in such cooperative housing
14 corporation;

15 “(B) is a subordinate mortgage or lien
16 on—

17 “(i) a one-to-four family residence
18 that is the principal residence of the mort-
19 gage; or

20 “(ii) a property that comprises five or
21 more family dwelling units:

22 “(C) is not insured or guaranteed under—

23 “(i) the National Housing Act (12
24 U.S.C. 1701 et seq.);

1 “(ii) title V of the Housing Act of
2 1949 (42 U.S.C. 1471 et seq.);

3 “(iii) chapter 37 of title 38, United
4 States Code; or

5 “(D) meets the underwriting standards set
6 by the Director pursuant to paragraph (1).

7 “(f) LIMITATION ON MAXIMUM ORIGINAL PRINCIPAL
8 AMOUNT.—The Director shall prohibit any association
9 from purchasing any conventional mortgage for which the
10 maximum original principal obligation exceeds the greater
11 of—

12 “(1) 150 percent of the average home price in
13 the United States for a residence having the same
14 number of dwelling units as the residence subject to
15 the mortgage; or

16 “(2) 150 percent of the median price, for the
17 area in which the residence subject the mortgage is
18 located for a residence having the same number of
19 dwelling units as the residence subject to the mort-
20 gage.

21 “(g) REPORTING REQUIREMENTS.—

22 “(1) IN GENERAL.—An association shall submit
23 to the Director such reports, containing such infor-
24 mation and in such form and at such times, as the

1 Director deems necessary to assess the condition,
2 operations and activities of the association.

3 “(2) INFORMATION REGARDING AREAS AND
4 MARKETS SERVED.—

5 “(A) SUBMISSION OF INFORMATION.—The
6 Director shall require each association to sub-
7 mit data annually to the Director that the Di-
8 rector determines is sufficient to indicate the
9 geographic areas and market segments being
10 served by the association.

11 “(B) PUBLIC AVAILABILITY.—Upon re-
12 ceipt of information submitted pursuant to sub-
13 paragraph (A), the Director shall make such in-
14 formation available to the public in a form and
15 manner determined appropriate by the Director.

16 “(h) PROMPT CORRECTIVE ACTIONS.—

17 “(1) ESTABLISHMENT AND CRITERIA.—The Di-
18 rector, by regulation, shall—

19 “(A) establish the capital classifications
20 specified under paragraph (2) for associations;

21 “(B) establish criteria for each such cap-
22 ital classification based upon the amount and
23 types of capital held by an association; and

24 “(C) classify each association according to
25 such capital classifications.

1 “(2) CAPITAL CLASSIFICATIONS.—The capital
2 classifications specified under this paragraph are—

3 “(A) adequately capitalized;

4 “(B) undercapitalized;

5 “(C) significantly undercapitalized; and

6 “(D) critically undercapitalized.

7 “(i) CONSERVATORSHIP AND RECEIVERSHIP.—

8 “(1) ADDITIONAL GROUNDS FOR APPOINT-
9 MENT.—In addition to the grounds for the appoint-
10 ment of conservator or receiver under section
11 1367(a)(3) (12 U.S.C. 4617(a)(3)), the Director
12 shall appoint the Agency as the conservator or re-
13 ceiver of an association if the association fails to
14 make a timely payment of principal or interest on a
15 Federal Housing Finance Agency security issued by
16 the association.

17 “(2) LIMITED-LIFE ASSOCIATION.—If the Agen-
18 cy is appointed as receiver for an association, the
19 Agency, as receiver, may organize a limited life asso-
20 ciation to assume the assets and purchase the liabil-
21 ities of the association subject to the same provisions
22 applicable under section 1367(i) to a limited-life reg-
23 ulated entity appointed for a regulated entity, and
24 such limited-life association shall, by operation of
25 law and immediately upon its organization, succeed

1 to the charter of the association and operate in ac-
2 cordance with such charter, this Act, and any other
3 provision of law to which the association is subject.

4 **“SEC. 1391. AGENCY OPERATIONS.**

5 “(a) APPLICATIONS PROCESSING DIVISION.—The
6 Director shall establish a division within the Agency to
7 accept and process applications for the formation of asso-
8 ciations, and shall employ accountants, financial analysts,
9 lawyers, and such other personnel as the Director deter-
10 mines necessary to evaluate the qualifications of the orga-
11 nizer or organizers and the financial prospects of a pro-
12 posed association.

13 “(b) AUDITING DIVISION.—The Director shall estab-
14 lish a division within the Agency to conduct regular audits
15 of the processes and systems used by associations. Such
16 audits shall include a review of loan files and systems for
17 tracking loan documents.

18 “(c) DEPUTY DIRECTOR FOR HOUSING FINANCE
19 GUARANTEE ASSOCIATIONS.—

20 “(1) IN GENERAL.—The Agency shall have a
21 Deputy Director for Housing Finance Guarantee As-
22 sociations, who shall be designated by the Director
23 from among individuals with demonstrated under-
24 standing of housing markets and housing finance.

1 “(2) FUNCTIONS.—The Deputy Director for
2 Housing Finance Guarantee Associations shall have
3 such functions, powers, and duties with respect to
4 the formation, regulation, and supervision of associa-
5 tions and the operations of the Office of
6 Securitization as the Director shall prescribe.

7 “(3) LIMITATIONS.—The Deputy Director for
8 Housing Finance Guarantee Associations may not—

9 “(A) have any direct or indirect financial
10 interest in any association or regulated entity;

11 “(B) hold any office, position, or employ-
12 ment in any association or regulated entity; or

13 “(C) have served as an executive officer or
14 director of any association or regulated entity
15 at any time during the 3-year period preceding
16 the date of the designation of such individual by
17 the Director.

18 “(d) ANNUAL ASSESSMENT OF AGENCY OPER-
19 ATIONS.—In addition to the general authority of the Fed-
20 eral Housing Finance Oversight Board provided under
21 section 1313A (12 U.S.C. 4513a), the Board, annually,
22 shall—

23 “(1) conduct an assessment of the operations
24 and resources of the Agency to determine whether
25 the Director and the Agency have the powers, sys-

1 tems, personnel, and other resources necessary to
2 charter, supervise, and regulate associations;

3 “(2) make recommendations to the Director
4 based upon the assessment required in paragraph
5 (1); and

6 “(3) report the results of the assessment under
7 this subsection and any recommendations pursuant
8 to such assessment to the Congress.

9 “(e) **ASSESSMENTS AND OTHER FEES.**—The Direc-
10 tor shall establish, by regulation, such assessments and
11 fees the Director deems necessary to cover the Agency’s
12 direct and indirect costs for chartering, supervising, and
13 regulating associations under this subtitle, including all
14 costs associated with the establishment and operation of
15 the Office of Securitization.

16 **“SEC. 1392. APPLICABLE LAW.**

17 “(a) **IN GENERAL.**—All authorized activities of an as-
18 sociation shall be governed by Federal law and subject to
19 exclusive regulation and supervision by the Agency. No
20 State may prevent or restrict an association from engag-
21 ing directly or indirectly in any activity authorized under
22 or pursuant to this subtitle.

23 “(b) **LIMITATION.**—Subsection (a) may not be con-
24 strued to prevent the application of nondiscriminatory

1 State laws that apply to all businesses operating in a
2 State, including criminal, tax, and zoning laws.

3 **“SEC. 1393. JUDICIAL REVIEW.**

4 “(a) IN GENERAL.—An association affected by an ac-
5 tion of the Director may seek review of such action in an
6 appropriate Federal court.

7 “(b) PRIVATE RIGHTS OF ACTION.—Nothing in this
8 Act may be construed to create a private right of action
9 on behalf of any person against an association, or any offi-
10 cer or director of an association.

11 **“SEC. 1394. BUDGET NEUTRALITY.**

12 “The Director shall exercise the authority provided
13 in this subtitle over the formation, regulation, and super-
14 vision of associations and the operations of the Office of
15 Securitization so as to ensure that associations and the
16 Office of Securitization operate in a manner that does not
17 increase the budget deficit, or debt, of the Federal Govern-
18 ment.”.

19 **SEC. 4. TRANSITION.**

20 (a) TRANSITION PLAN.—Not later than six months
21 after the date of the enactment of this Act, the Director
22 of the Federal Housing Finance Agency shall submit to
23 the Congress a plan that provides for—

24 (1) the winding down of the enterprises; and

1 (2) the formation, supervision, and regulation
2 of associations as provided in subtitle D of the Fed-
3 eral Housing Enterprises Financial Safety and
4 Soundness Act of 1992, as added by the amendment
5 made by section 3 of this Act.

6 (b) CONTENTS OF PLAN.—The plan required by sub-
7 section (a) shall provide for—

8 (1) measures to ensure the continued operation
9 of the enterprises during the transition period, in-
10 cluding the retention of qualified personnel;

11 (2) the transfer of qualified personnel and sys-
12 tems from the enterprises to associations;

13 (3) the implementation of the transitional ac-
14 tions required by subsections (b) through (m) of this
15 section; and

16 (4) such other matters as the Director deems
17 appropriate.

18 (c) REPEAL OF AFFORDABLE HOUSING GOALS.—

19 (1) REPEAL.—The Federal Housing Enter-
20 prises Financial Safety and Soundness Act of 1992
21 is amended by striking sections 1331 through 1336
22 (12 U.S.C. 4561–6).

23 (2) CONFORMING AMENDMENTS.—Federal
24 Housing Enterprises Financial Safety and Sound-
25 ness Act of 1992 is amended—

1 (A) in section 1303(28) (12 U.S.C.
2 4502(28)), by striking “and, for the purposes”
3 and all that follows through “designated dis-
4 aster areas”;

5 (B) in section 1324(b)(1)(A) (12 U.S.C.
6 4544(b)(1)(A))—

7 (i) by striking clauses (i), (ii), and
8 (iv);

9 (ii) in clause (iii), by inserting “and”
10 after the semicolon at the end; and

11 (iii) by redesignating clauses (iii) and
12 (v) as clauses (i) and (ii), respectively;

13 (C) in section 1338(c)(10) (12 U.S.C.
14 4568(c)(10)), by striking subparagraph (E);

15 (D) in section 1339(h) (12 U.S.C. 4569),
16 by striking paragraph (7);

17 (E) in section 1341 (12 U.S.C. 4581)—

18 (i) in subsection (a)—

19 (I) in paragraph (1), by inserting
20 “or” after the semicolon at the end;

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

24 (III) by striking paragraphs (3)
25 and (4); and

1 (ii) in subsection (b)(2)—

2 (I) in subparagraph (A), by in-
3 serting “or” after the semicolon at the
4 end;

5 (II) by striking subparagraphs
6 (B) and (C); and

7 (III) by redesignating subpara-
8 graph (D) as subparagraph (B);

9 (F) in section 1345(a) (12 U.S.C.
10 4585(a))—

11 (i) in paragraph (1), by inserting “or”
12 after the semicolon at the end;

13 (ii) in paragraph (2), by striking the
14 semicolon at the end and inserting a pe-
15 riod; and

16 (iii) by striking paragraphs (3) and
17 (4); and

18 (G) in section 1371(a)(2) (12 U.S.C.
19 4631(a)(2))—

20 (i) by striking “with any housing goal
21 established under subpart B of part 2 of
22 subtitle A of this title,”; and

23 (ii) by striking “section 1336 or”.

24 (d) REQUIREMENT FOR ENTERPRISES TO PAY
25 STATE AND LOCAL TAXES.—

1 (1) FANNIE MAE.—Effective on the date of the
2 enactment of this Act, paragraph (2) of section
3 309(c) of the Federal National Mortgage Association
4 Charter Act (12 U.S.C. 1723a(c)(2)) is amended—

5 (A) by striking “shall be exempt from”
6 and inserting “shall be subject to”; and

7 (B) by striking “except that any” and in-
8 serting “and any”.

9 (2) FREDDIE MAC.—Effective on the date of
10 the enactment of this Act, section 303(e) of the Fed-
11 eral Home Loan Mortgage Corporation Act (12
12 U.S.C. 1452(e)) is amended—

13 (A) by striking “shall be exempt from”
14 and inserting “shall be subject to”; and

15 (B) by striking “except that any” and in-
16 serting “and any”.

17 (e) DESIGNATION OF DEPUTY DIRECTOR FOR HOUS-
18 ING FINANCE GUARANTEE ASSOCIATIONS.—Not later
19 than six months after the date of the enactment of this
20 Act, the Director shall designate the Deputy Director for
21 Housing Finance Guarantee Associations authorized by
22 section 1391(e) of the Federal Housing Enterprises Fi-
23 nancial Safety and Soundness Act of 1992, as added by
24 the amendment made by section 3 of this Act.

1 (f) ESTABLISHMENT OF OFFICE OF SECURITIZATION
2 AND CREATION OF STANDARDIZED MORTGAGE SECUR-
3 RITY.—Not later than 12 months after the date of the
4 enactment of this Act, the Director shall—

5 (1) provide for the establishment of the Office
6 of Securitization, as authorized by section 1386 of
7 the Federal Housing Enterprises Financial Safety
8 and Soundness Act of 1992, as added by the amend-
9 ment made by section 3 of this Act;

10 (2) create the standardized mortgage security
11 forms required by section 1387 of the Federal Hous-
12 ing Enterprises Financial Safety and Soundness Act
13 of 1992, as added by the amendment made by sec-
14 tion 3 of this Act; and

15 (3) require, in a manner that does not disrupt
16 or impair trading in existing mortgage securities
17 issued by the enterprises, that the enterprises use
18 the standardized mortgage security forms when
19 issuing new mortgage securities.

20 (g) REDUCTION IN MORTGAGE ASSET PORTFOLIOS
21 OF ENTERPRISES.—

22 (1) IN GENERAL.—Not later than 12 months
23 after the date of enactment of this Act, the Director
24 shall publish, in final form, a regulation that re-
25 quires each enterprise to reduce its total mortgage

1 assets to not more than \$250,000,000,000, within 5
2 years of the date of the enactment of this Act.

3 (2) DEFINITION.—For purposes of this para-
4 graph, the term “total mortgage assets” means, with
5 respect to an enterprise, mortgages, mortgage loans,
6 mortgage-related securities, participation certificates,
7 mortgage-backed commercial paper, obligations of
8 real estate investment conduits and similar assets, in
9 each case to the extent that such assets would ap-
10 pear on the balance sheet of the enterprise in ac-
11 cordance with generally accepted accounting prin-
12 ciples in effect in the United States as of September
13 7, 2008.

14 (h) INCREASE IN GUARANTEE FEES CHARGED BY
15 ENTERPRISES.—

16 (1) IN GENERAL.—Not later than 12 months
17 after the date of the enactment of this Act, the Di-
18 rector shall, taking into consideration the study
19 under section 1387(d)(1) of the Federal Housing
20 Enterprises Financial Safety and Soundness Act of
21 1992, as added by the amendment made by section
22 3 of this Act, issue in final form a regulation that
23 directs the enterprises to increase, over a three-year
24 period, guarantee fees to more accurately reflect the
25 risk assumed by the guarantee.

1 (2) DEFINITION.—For purposes of this sub-
2 section, the term “guarantee fee” means a fee
3 charged by an enterprise in connection with any
4 guarantee, issued by the enterprise, of the timely
5 payment of principal and interest on securities,
6 notes, and other obligations based on or backed by
7 mortgages on residential real property. Such term
8 includes—

9 (A) the guarantee fee charged by the Fed-
10 eral National Mortgage Association with respect
11 to mortgage-backed securities; and

12 (B) the management and guarantee fee
13 charged by the Federal Home Loan Mortgage
14 Corporation with respect to participation certifi-
15 cates.

16 (i) CONFORMING LOAN LIMITS.—Effective upon the
17 date of the enactment of this Act, section 146 of the Con-
18 tinuing Appropriations Act, 2011 (Public Law 111–242;
19 124 Stat. 2615) is amended by adding at the end the fol-
20 lowing new subsection:

21 “(c) EXTENSION UNTIL END OF
22 CONSERVATORSHIPS.—Notwithstanding any provision of
23 subsection (a) or (b), such subsections shall apply with
24 respect to mortgages originated during the period that be-
25 gins at the conclusion of fiscal year 2011 and ends upon

1 the termination of the conservatorship of the Federal Na-
2 tional Mortgage Association or the Federal Home Loan
3 Mortgage Corporation, as applicable, pursuant to section
4 4(l) of the Housing Finance Reform Act of 2011.”.

5 (j) FINALIZATION OF REGULATIONS GOVERNING AS-
6 SOCIATIONS, FORMATION THE APPLICATIONS AND AUDIT-
7 ING DIVISIONS.—Not later than 12 months after the date
8 of the enactment of this Act, the Director shall—

9 (1) issue, in final form regulations governing
10 the chartering, operations, and supervision of asso-
11 ciations, including required capital and other pru-
12 dential standards; and

13 (2) establish the applications and auditing divi-
14 sions required by section 1391 of the Federal Hous-
15 ing Enterprises Financial Safety and Soundness Act
16 of 1992, as added by the amendment made by sec-
17 tion 3 of this Act.

18 (k) NOTIFICATION TO CONGRESS AND ACCEPTANCE
19 OF CHARTER APPLICATIONS.—Following the completion
20 of the actions required under subsection (j), the Director
21 shall—

22 (1) notify the Congress that the Agency has
23 taken all appropriate actions to begin the process of
24 chartering, supervising and regulating associations,
25 and

1 (2) may commence accepting, and acting upon,
2 applications for the chartering of associations.

3 (1) MANDATORY RECEIVERSHIP.—The Director shall
4 place the enterprises into receivership no later than one
5 year after five or more associations, two of which are not
6 special purpose associations, have been chartered.

7 (m) FEDERAL SUPPORT FOR EXISTING OBLIGATIONS
8 OF FANNIE MAE AND FREDDIE MAC.—The full faith and
9 credit of the United States is hereby pledged to the pay-
10 ment of all debt obligations of the enterprises and all
11 mortgage-backed securities issued by the enterprises, until
12 such obligations and securities mature or are redeemed.

13 (n) DEFINITIONS.—For purposes of this section, the
14 following definitions shall apply:

15 (1) AGENCY.—The term “Agency” means the
16 Federal Housing Finance Agency.

17 (2) ASSOCIATION; CONVENTIONAL MORTGAGE;
18 OFFICE OF SECURITIZATION; REGULATED ENTITY.—
19 The terms “association”, “conventional mortgage”,
20 “Office of Securitization”, and “regulated entity”
21 have the meanings given such terms in section 1381
22 of the Federal Housing Enterprises Financial Safety
23 and Soundness Act of 1992.

24 (3) DIRECTOR.—The term “Director” means
25 the Director of the Agency.

1 (4) ENTERPRISE.—The term “enterprise” has
2 the meaning given such term in section 1303 of the
3 Federal Housing Enterprises Financial Safety and
4 Soundness Act of 1992 (12 U.S.C. 4502).

5 (5) TRANSITION PERIOD.—The term “transi-
6 tion period” means the period that begins upon the
7 date of the enactment of this Act and ends upon ap-
8 pointment of receivers for both enterprises pursuant
9 to subsection (m).

10 **SEC. 5. TECHNICAL AND CONFORMING AMENDMENTS.**

11 Federal Housing Enterprises Financial Safety and
12 Soundness Act of 1992 is amended—

13 (1) in section 1303(28) (12 U.S.C. 4502(28)),
14 by striking “and, for the purposes” and all that fol-
15 lows through “designated disaster areas”;

16 (2) in section 1324(b)(1)(A) (12 U.S.C.
17 4544(b)(1)(A))—

18 (A) by striking clauses (i), (ii), and (iv);

19 (B) in clause (iii), by inserting “and” after
20 the semicolon at the end; and

21 (C) by redesignating clauses (iii) and (v)
22 as clauses (i) and (ii), respectively;

23 (3) in section 1338(c)(10) (12 U.S.C.
24 4568(c)(10)), by striking subparagraph (E);

1 (4) in section 1339(h) (12 U.S.C. 4569), by
2 striking paragraph (7);

3 (5) in section 1341 (12 U.S.C. 4581)—

4 (A) in subsection (a)—

5 (i) in paragraph (1), by inserting “or”
6 after the semicolon at the end;

7 (ii) in paragraph (2), by striking the
8 semicolon at the end and inserting a pe-
9 riod; and

10 (iii) by striking paragraphs (3) and
11 (4); and

12 (B) in subsection (b)(2)—

13 (i) in subparagraph (A), by inserting
14 “or” after the semicolon at the end;

15 (ii) by striking subparagraphs (B) and
16 (C); and

17 (iii) by redesignating subparagraph
18 (D) as subparagraph (B);

19 (6) in section 1345(a) (12 U.S.C. 4585(a))—

20 (A) in paragraph (1), by inserting “or”
21 after the semicolon at the end;

22 (B) in paragraph (2), by striking the semi-
23 colon at the end and inserting a period; and

24 (C) by striking paragraphs (3) and (4);
25 and

1 (7) in section 1371(a)(2) (12 U.S.C.
2 4631(a)(2))—

3 (A) by striking “with any housing goal es-
4 tablished under subpart B of part 2 of subtitle
5 A of this title,”; and

6 (B) by striking “section 1336 or”.

○