

Public Law 107-326  
107th Congress

An Act

Dec. 4, 2002  
[S. 2239]

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

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

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

**SEC. 2. DOWNPAYMENT SIMPLIFICATION.**

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

(1) in subsection (b)—

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

(B) in paragraph (2)—

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

(ii) in the undesignated matter immediately following subparagraph (B)(iii)—

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

(II) by striking the seventh sentence (relating to principal obligation) and all that follows through the end of the ninth sentence (relating to charges and fees); and

(III) by striking the eleventh sentence (relating to disclosure notice) and all that follows through the end of the last undesignated paragraph (relating to disclosure notice requirements); and

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

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

“(i) the amount of the mortgage insurance premium paid at the time the mortgage is insured; and

“(ii) in the case of—

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

“(II) a mortgage for a property with an appraised value in excess of \$50,000 but not in excess of \$125,000, 97.65 percent of the appraised value of the property;

FHA  
Downpayment  
Simplification  
Act of 2002.  
12 USC 1701  
note.

“(III) a mortgage for a property with an appraised value in excess of \$125,000, 97.15 percent of the appraised value of the property; or

“(IV) notwithstanding subclauses (II) and (III), a mortgage for a property with an appraised value in excess of \$50,000 that is located in an area of the State for which the average closing cost exceeds 2.10 percent of the average, for the State, of the sale price of properties located in the State for which mortgages have been executed, 97.75 percent of the appraised value of the property.”;

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

(D) by striking paragraph (10); and

(2) by inserting after subsection (e), the following:

“(f) DISCLOSURE OF OTHER MORTGAGE PRODUCTS.—

“(1) IN GENERAL.—In conjunction with any loan insured under this section, an original lender shall provide to each prospective borrower a disclosure notice that provides a 1-page analysis of mortgage products offered by that lender and for which the borrower would qualify.

“(2) NOTICE.—The notice required under paragraph (1) shall include—

“(A) a generic analysis comparing the note rate (and associated interest payments), insurance premiums, and other costs and fees that would be due over the life of the loan for a loan insured by the Secretary under subsection (b) with the note rates, insurance premiums (if applicable), and other costs and fees that would be expected to be due if the mortgagor obtained instead other mortgage products offered by the lender and for which the borrower would qualify with a similar loan-to-value ratio in connection with a conventional mortgage (as that term is used in section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) or section 302(b)(2) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(b)(2)), as applicable), assuming prevailing interest rates; and

“(B) a statement regarding when the requirement of the mortgagor to pay the mortgage insurance premiums for a mortgage insured under this section would terminate, or a statement that the requirement shall terminate only if the mortgage is refinanced, paid off, or otherwise terminated.”.

### SEC. 3. CONFORMING AMENDMENTS.

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

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

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

### SEC. 4. REPEAL OF GNMA GUARANTEE FEE INCREASE.

Section 972 of the Higher Education Amendments of 1998 (Public Law 105-244; 112 Stat. 1837) is hereby repealed.

12 USC 1721 and  
note.

## SEC. 5. INDEXING OF FHA MULTIFAMILY HOUSING LOAN LIMITS.

(a) The National Housing Act (12 U.S.C. 1701 et seq.) is amended by inserting after section 206 the following new section 206A (12 U.S.C. 1712A):

12 USC 1712a.

## “SEC. 206A. INDEXING OF FHA MULTIFAMILY HOUSING LOAN LIMITS.

“(a) METHOD OF INDEXING.—The dollar amounts set forth in—

“(1) section 207(c)(3)(A) (12 U.S.C. 1713(c)(3)(A));

“(2) section 213(b)(2)(A) (12 U.S.C. 1715e(b)(2)(A));

“(3) section 220(d)(3)(B)(iii)(I) (12 U.S.C. 1715k(d)(3)(B)(iii)(I));

“(4) section 221(d)(3)(ii)(I) (12 U.S.C. 1715l(d)(3)(ii)(I));

“(5) section 221(d)(4)(ii)(I) (12 U.S.C. 1715l(d)(4)(ii)(I));

“(6) section 231(c)(2)(A) (12 U.S.C. 1715v(c)(2)(A)); and

“(7) section 234(e)(3)(A) (12 U.S.C. 1715y(e)(3)(A));

(collectively hereinafter referred to as the “Dollar Amounts”) shall be adjusted annually (commencing in 2004) on the effective date of the Federal Reserve Board’s adjustment of the \$400 figure in the Home Ownership and Equity Protection Act of 1994 (HOEPA). The adjustment of the Dollar Amounts shall be calculated using the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) as applied by the Federal Reserve Board for purposes of the above-described HOEPA adjustment.

Federal Register,  
publication.

“(b) NOTIFICATION.—The Federal Reserve Board on a timely basis shall notify the Secretary, or his designee, in writing of the adjustment described in subsection (a) and of the effective date of such adjustment in order to permit the Secretary to undertake publication in the Federal Register of corresponding adjustments to the Dollar Amounts. The dollar amount of any adjustment shall be rounded to the next lower dollar.”.

(b) TECHNICAL AND CONFORMING CHANGES.—(1) Section 207(c)(3) of the National Housing Act (12 U.S.C. 1713(c)(3)) is amended—

(A) by inserting “(A)” after “(3)”;

(B) by striking “and accept that the Secretary” through and including “in this paragraph” and inserting in lieu thereof:

“(B) the Secretary may, by regulation, increase any of the dollar amount limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act)”.

(2) Section 213(b)(2) of the National Housing Act (12 U.S.C. 1715e(b)(2)) is amended—

(A) by inserting “(A)” following “(2)”;

(B) by striking “: *Provided further, That*” the first time that it occurs, through and including “contained in this paragraph” and inserting in lieu thereof: “; (B)(i) the Secretary may, by regulation, increase any of the dollar amount limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act)”;

(C) by striking “: *Provided further, That*” the second time it occurs and inserting in lieu thereof: “; and (ii)”;

(D) by striking “: *And provided further, That*” and inserting in lieu thereof: “; and (iii)”;

(E) by striking “with this subsection without regard to the preceding proviso” at the end of that subsection and inserting in lieu thereof: “with this subparagraph (B)(i).”.

(3) Section 220(d)(3)(B)(iii) of the National Housing Act (12 U.S.C. 1715k(d)(3)(B)(iii)) is amended—

(A) by inserting “(I)” following “(iii)”;

(B) by striking “design; and except that” and inserting in lieu thereof: “design; and (II)”;

(C) by striking “any of the foregoing dollar amount limitations contained in this clause” and inserting in lieu thereof: “any of the dollar amount limitations in subparagraph (B)(iii)(I) (as such limitations may have been adjusted in accordance with section 206A of this Act)”;

(D) by striking “: *Provided, That*” through and including “proviso” and inserting in lieu thereof: “with respect to dollar amount limitations applicable to rehabilitation projects described in subclause (II), the Secretary may, by regulation, increase the dollar amount limitations contained in subparagraph (B)(iii)(I) (as such limitations may have been adjusted in accordance with section 206A of this Act)”;

(E) by striking “: *Provided further,*” and inserting in lieu thereof: “; (III)”;

(F) by striking “subparagraph” in the second proviso and inserting in lieu thereof “subparagraph (B)(iii)(I)”;

(G) in the last proviso, by striking “: *And provided further, That*” and all that follows through and including “this clause” and inserting in lieu thereof: “; (IV) with respect to rehabilitation projects involving not more than five family units, the Secretary may further increase any of the dollar limitations which would otherwise apply to such projects”.

(4) Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 1715l(d)(3)(ii)) is amended—

(A) by inserting “(I)” following “(ii)”;

(B) by striking “; and except that” and all that follows through and including “in this clause” and inserting in lieu thereof: “; (II) the Secretary may, by regulation, increase any of the dollar amount limitations in subclause (I) (as such limitations may have been adjusted in accordance with section 206A of this Act)”.

(5) Section 221(d)(4)(ii) of the National Housing Act (12 U.S.C. 1715l(d)(4)(ii)) is amended—

(A) by inserting “(I)” following “(ii)”;

(B) by striking “; and except that” and all that follows through and including “in this clause” and inserting in lieu thereof: “; (II) the Secretary may, by regulation, increase any of the dollar limitations in subclause (I) (as such limitations may have been adjusted in accordance with section 206A of this Act)”.

(6) Section 231(c)(2) of the National Housing Act (12 U.S.C. 1715v(c)(2)) is amended—

(A) by inserting “(A)” following “(2)”;

(B) by striking “; and except that” and all that follows through and including “in this paragraph” and inserting in lieu thereof: “; (B) the Secretary may, by regulation, increase any of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act)”;

(C) by striking “: *Provided, That*” and all that follows through and including “of this section” and inserting in lieu thereof: “; (C) the Secretary may, by regulation, increase any

of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act)".

(7) Section 234(e)(3) of the National Housing Act (12 U.S.C. 1715y(e)(3)) is amended—

(A) by inserting "(A)" following "(3)";

(B) by replacing "\$38,025" with "\$42,048"; "\$42,120" with "\$48,481"; "\$50,310" with "\$58,469"; "\$62,010" with "\$74,840"; "\$70,200" with "\$83,375"; "\$43,875" with "\$44,250"; "\$49,140" with "\$50,724"; "\$60,255" with "\$61,680"; "\$75,465" with "\$79,793"; and "\$85,328" with "\$87,588";

(C) by striking "; except that each" and all that follows through and including "contained in this paragraph" and inserting in lieu thereof: "; (B) the Secretary may, by regulation, increase any of the dollar limitations in subparagraph (A) (as such limitations may have been adjusted in accordance with section 206A of this Act)".

Approved December 4, 2002.

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**LEGISLATIVE HISTORY—S. 2239:**

CONGRESSIONAL RECORD, Vol. 148 (2002):

Oct. 17, considered and passed Senate.

Nov. 14, considered and passed House.