

110TH CONGRESS  
1ST SESSION

# H. R. 3838

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2007

Mr. FRANK of Massachusetts introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, and for other purposes.

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

3 **SECTION 1. FINDINGS.**

4 The Congress finds that—

5 (1) American families will be severely harmed  
6 by an unprecedented wave of anticipated foreclosures  
7 expected to occur over the coming months, as ad-

1       justable rate subprime mortgages reset to higher in-  
2       terest rates;

3           (2) preventing such foreclosures and facilitating  
4       the refinancing of at-risk subprime borrowers into  
5       safe, affordable loans will require the additional li-  
6       quidity provided by the Federal National Mortgage  
7       Association and the Federal Home Loan Mortgage  
8       Association, and any affiliates thereof;

9           (3) the failure to prevent these anticipated fore-  
10      closures could have devastating effects on household  
11      wealth, neighborhood property values, and the over-  
12      all health of the broader economy; and

13          (4) the Federal National Mortgage Association  
14      and the Federal Home Loan Mortgage Corporation,  
15      and any affiliates thereof, are uniquely positioned to  
16      provide the financing necessary to alleviate the pre-  
17      dicted wave of anticipated foreclosures.

18   **SEC. 2. DEFINITIONS.**

19       For purposes of this Act, the following definitions  
20   shall apply:

21          (1) **DIRECTOR.**—The term “Director” means  
22      the Director of the Office of Federal Housing Enter-  
23      prise Oversight of the Department of Housing and  
24      Urban Development.

1           (2) ENTERPRISE.—The term “enterprise”  
2 means—

3           (A) the Federal National Mortgage Asso-  
4 ciation, and any affiliate thereof; and

5           (B) the Federal Home Loan Mortgage  
6 Corporation, and any affiliate thereof.

7           (3) FANNIE MAE CONSENT DECREE.—The term  
8 “Fannie Mae Consent Decree” means the order of  
9 the Office of Federal Housing Enterprises Oversight  
10 dated May 23, 2006, in the matter of the Federal  
11 National Mortgage Association.

12          (4) FREDDIE MAC LETTER.—The term  
13 “Freddie Mac Letter” means the letter dated July  
14 31, 2006, from the Chairman and Chief Executive  
15 Officer of the Federal Home Loan Mortgage Cor-  
16 poration to the Director.

17          (5) OFHEO.—The term “OFHEO” means the  
18 Office of Federal Housing Enterprises Oversight.

19 **SEC. 3. LIFTING OF PORTFOLIO CAPS.**

20          (a) IN GENERAL.—Immediately upon the date of en-  
21 actment of this Act, the Director shall terminate, suspend,  
22 modify, or otherwise lift—

23           (1) the limitation on growth provision set forth  
24 in section 4, Article III of the Fannie Mae Consent  
25 Decree; and

1           (2) the voluntary temporary growth limitation  
2       described in the Freddie Mac Letter.

3       (b) FACTORS.—In carrying out subsection (a), the  
4 Director shall increase the mortgage portfolio limitations  
5 of both enterprises by not less than 10 percent.

6       (c) ALLOCATION.—

7           (1) IN GENERAL.—Eighty-five percent of the  
8 portfolio increase described in subsection (b) shall be  
9 used for the purpose of refinancing subprime mort-  
10 gages at risk of foreclosure.

11          (2) DEFINITIONS.—The Director may establish  
12 criteria defining the term “subprime mortgage”, as  
13 the Director determines necessary.

14       (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
15 tion shall be construed to prevent or prohibit the Director  
16 from exercising any authority of the Director to terminate,  
17 suspend, modify, or otherwise lift the limitations ref-  
18 erenced in paragraphs (1) and (2) of subsection (a) be-  
19 yond the minimum increase specified in subsection (b), as  
20 the Director deems appropriate.

21 **SEC. 4. SUNSET PROVISION.**

22       This Act is repealed, effective 6 months after the date  
23 of enactment of this Act, and the authority of the Director  
24 under this Act is terminated on that date of repeal.

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