

110TH CONGRESS
2D SESSION

H. R. 5239

To amend the Internal Revenue Code of 1986 to provide that the proceeds of qualified mortgage bonds may be used to provide refinancing for subprime loans, to provide a temporary increase in the volume cap for qualified mortgage bonds used to provide that refinancing, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 2008

Mr. PORTER (for himself and Ms. SCHWARTZ) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that the proceeds of qualified mortgage bonds may be used to provide refinancing for subprime loans, to provide a temporary increase in the volume cap for qualified mortgage bonds used to provide that refinancing, 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,*

1 **SECTION 1. MODIFICATIONS AND INCREASED VOLUME CAP**
2 **WITH RESPECT TO QUALIFIED MORTGAGE**
3 **BONDS USED TO REFINANCE SUBPRIME**
4 **LOANS.**

5 (a) USE OF QUALIFIED MORTGAGE BONDS PRO-
6 CEEDS FOR SUBPRIME REFINANCING LOANS.—Section
7 143(k) of the Internal Revenue Code of 1986 (relating to
8 other definitions and special rules) is amended by adding
9 at the end the following new paragraph:

10 “(12) SPECIAL RULES FOR SUBPRIME
11 REFINANCINGS.—

12 “(A) IN GENERAL.—In the case of a resi-
13 dence which was originally financed by the
14 mortgagor through a qualified subprime loan,
15 this section shall be applied with the following
16 modifications:

17 “(i) Subsection (i)(1) (relating to
18 mortgages must be new mortgages) shall
19 not apply.

20 “(ii) Subsection (a)(2)(D)(i) shall be
21 applied by substituting ‘12-month period’
22 for ‘42-month period’ each place it ap-
23 pears.

24 “(iii) Subsection (d) (relating to 3-
25 year requirement) shall not apply.

1 “(iv) Subsection (e) (relating to pur-
2 chase price requirement) shall be applied
3 by using the market value of the residence
4 at the time of refinancing in lieu of the ac-
5 quisition cost.

6 “(B) QUALIFIED SUBPRIME LOAN.—The
7 term ‘qualified subprime loan’ means an adjust-
8 able rate single-family residential mortgage loan
9 originated after December 31, 2001, and before
10 January 1, 2008, that the bond issuer deter-
11 mines would likely cause financial hardship to
12 the borrower if not refinanced.

13 “(C) TERMINATION.—This paragraph shall
14 not apply to any bonds issued after December
15 31, 2010.”.

16 (b) INCREASE IN VOLUME CAP FOR QUALIFIED
17 MORTGAGE BONDS USED TO REFINANCE SUBPRIME
18 LOANS.—

19 (1) IN GENERAL.—Subsection (d) of section
20 146 of the Internal Revenue Code of 1986 is amend-
21 ed by adding at the end the following new para-
22 graph:

23 “(5) INCREASE FOR 2008 AND SET ASIDE FOR
24 QUALIFIED MORTGAGE BONDS USED TO REFINANCE
25 QUALIFIED SUBPRIME LOANS.—

1 “(A) IN GENERAL.—The State ceiling for
2 each State for calendar year 2008 (determined
3 without regard to this paragraph) shall be in-
4 creased by an amount which bears the same
5 ratio to \$15,000,000,000 as—

6 “(i) the State ceiling for such State
7 for such year (as so determined) bears to

8 “(ii) the aggregate of the State ceil-
9 ings for all States (as so determined) for
10 such year.

11 “(B) SET ASIDE.—

12 “(i) IN GENERAL.—Not less than an
13 amount equal to each State’s increase in
14 the State ceiling under subparagraph (A)
15 shall be allocated solely for the purpose of
16 qualified mortgage issues which meets the
17 requirement of clause (ii).

18 “(ii) REQUIREMENT.—A qualified
19 mortgage issue meets the requirement of
20 this clause if all the financing provided by
21 the issue is used to refinance qualified
22 subprime loans (as defined in section
23 143(k)(12)(B)) to which section
24 143(k)(12) applies.”.

1 (2) CARRYFORWARD OF UNUSED LIMITA-
2 TIONS.—Subsection (f) of section 146 of such Code
3 is amended by adding at the end the following new
4 paragraph:

5 “(6) SPECIAL RULES FOR INCREASED VOLUME
6 CAP UNDER SUBSECTION (D)(5).—

7 “(A) IN GENERAL.—No amount which is
8 attributable to the increase under subsection
9 (d)(5) may be used—

10 “(i) for a carryforward purpose other
11 than issuing qualified mortgage bonds
12 which meet the requirement of subsection
13 (d)(5)(B)(ii), and

14 “(ii) to issue any bond after Decem-
15 ber 31, 2010.

16 “(B) ORDERING RULES.—For purposes of
17 subparagraph (A), any carryforward of an
18 issuing authority’s volume cap for calendar year
19 2008 shall be treated as attributable to such in-
20 crease to the extent of such increase.”.

21 (c) ALTERNATIVE MINIMUM TAX.—

22 (1) IN GENERAL.—Clause (ii) of section
23 57(a)(5)(C) of the Internal Revenue Code of 1986 is
24 amended by striking “shall not include” and all that
25 follows and inserting “shall not include—

1 “(I) any qualified 501(c)(3) bond
2 (as defined in section 145), or

3 “(II) any qualified mortgage
4 bond (as defined in section 143(a)) or
5 qualified veterans’ mortgage bond (as
6 defined in section 143(b)) issued after
7 December 31, 2007, and before Janu-
8 ary 1, 2011.”.

9 (2) CONFORMING AMENDMENT.—The heading
10 for section 57(a)(5)(C)(ii) of such Code is amended
11 by striking “QUALIFIED 501(C)(3) BONDS” and insert-
12 ing “CERTAIN BONDS”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to bonds issued after December
15 31, 2007.

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