

110TH CONGRESS
2D SESSION

H. R. 5649

To establish the Home Owners' Loan Corporation to provide emergency home mortgage relief.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2008

Mr. KIRK introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To establish the Home Owners' Loan Corporation to provide emergency home mortgage relief.

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 “Home Owners’ Loan
5 Corporation for the 21st Century Act”.

6 **SEC. 2. ESTABLISHMENT.**

7 (a) IN GENERAL.—There is established a corporation
8 to be known as the Home Owners’ Loan Corporation,
9 which shall be an instrumentality of the United States,

1 and which shall have authority to sue and to be sued in
2 any court of competent jurisdiction, Federal or State.

3 (b) TREATMENT OF CORPORATION.—The Corpora-
4 tion, including its franchise, its capital, reserves, and sur-
5 plus, and its loans and income, shall be exempt from tax-
6 ation referred to in section 6(c), except that any real prop-
7 erty of the Corporation shall be subject to taxation to the
8 same extent, according to its value, as other real property
9 is taxed.

10 **SEC. 3. BOARD.**

11 (a) IN GENERAL.—The Corporation shall be under
12 the direction of a Board of Directors and shall be operated
13 by the Board under such bylaws, rules, and regulations
14 as the Board may prescribe for the accomplishment of the
15 purposes and intent of this Act and the prudent use of
16 the capital and authority of the Corporation.

17 (b) MEMBERS.—The Board shall consist of five mem-
18 bers, as follows:

19 (1) The Secretary of the Treasury, or the des-
20 ignee of the Secretary.

21 (2) The Comptroller General of the United
22 States, or the designee of the Comptroller.

23 (3) A designee of the Board of Directors of the
24 Federal Deposit Insurance Corporation.

1 (4) The Secretary of Housing and Urban Devel-
2 opment, or the designee of the Secretary.

3 (5) The Director of the Office of Federal Hous-
4 ing Enterprise Oversight of the Department of
5 Housing and Urban Development (or any successor
6 agency of such Office responsible for supervision and
7 regulation of the Federal National Mortgage Asso-
8 ciation and the Federal Home Loan Mortgage Cor-
9 poration), or the designee of the Director.

10 (c) NO COMPENSATION.—Members of the Board
11 shall serve as such directors without additional compensa-
12 tion.

13 **SEC. 4. CAPITAL STOCK.**

14 (a) IN GENERAL.—The Corporation shall have cap-
15 ital stock, \$25,000,000,000, which shall be subscribed to
16 by the Secretary of the Treasury on behalf of the United
17 States Government. The Corporation shall issue to the
18 Secretary of the Treasury receipts for payments by the
19 Secretary for or on account of such stock, and such re-
20 ceipts shall be evidence of the stock ownership of the
21 United States. Payments for such subscriptions shall be
22 subject to call in whole or in part by the Board and shall
23 be made at such time or times as the Secretary of the
24 Treasury deems advisable.

1 (b) PUBLIC DEBT TRANSACTION.—For the purpose
2 of purchasing shares of capital stock of the Corporation,
3 the Secretary may use as a public-debt transaction the
4 proceeds of any securities issued under chapter 31 of title
5 31, United States Code.

6 **SEC. 5. MINIMUM CAPITAL RATIO REQUIREMENTS.**

7 The Board shall on an annual basis establish a min-
8 imum capital ratio requirement for the Corporation and
9 the Corporation shall at all times hold such capital as may
10 be required to comply with the applicable annual ratio.
11 Such ratio shall be risk-adjusted to reflect the Corpora-
12 tion's direct and indirect credit exposure, and may not be
13 lower than the minimum capital ratio required for similar
14 financial institutions under the international guidelines
15 and standards for capital adequacy issued by the Basel
16 Committee on Banking Supervision established by the
17 Bank for International Settlements.

18 **SEC. 6. BORROWING AUTHORITY.**

19 (a) ISSUANCE.—

20 (1) AUTHORITY.—The Corporation may issue
21 bonds in an aggregate amount not to exceed
22 \$300,000,000,000, which may be sold by the Cor-
23 poration to obtain funds for carrying out the pur-
24 poses of this Act, or exchanged as hereinafter pro-
25 vided.

1 (2) TERMS.—Such bonds shall be issued in
2 such denominations as the Board shall prescribe,
3 shall mature within a period of not more than 10
4 years from the date of their issue, and shall be fully
5 and unconditionally guaranteed as to interest only
6 by the United States, and such guaranty shall be ex-
7 pressed on the face thereof. The bonds shall bear in-
8 terest at a rate determined by the Board and ap-
9 proved by the Secretary of the Treasury prior to
10 issue.

11 (3) ISSUANCE THROUGH GINNIE MAE.—The
12 Corporation may issue bonds under this subsection
13 through the Government National Mortgage Associa-
14 tion and the Association is hereby authorized to pro-
15 vide for such issuance, subject to the aggregate
16 amount limitation under paragraph (1).

17 (b) TREASURY BORROWING.—In the event that the
18 Corporation is unable to pay upon demand, when due, the
19 interest or principal on any such bonds, the Secretary of
20 the Treasury shall pay to the Corporation the amount of
21 such interest or principal, which is hereby authorized to
22 be appropriated to the Corporation, and the Corporation
23 shall pay the amount of such interest or principal to the
24 holders of the bonds. Upon the payment of such interest
25 or principal by the Secretary, the amount so paid shall

1 become an obligation of the Corporation to the United
2 States and shall bear interest at the same rate as that
3 borne by the bonds upon which the interest or principal
4 has been so paid.

5 (c) TREATMENT.—The bonds issued by the Corpora-
6 tion under this section shall be exempt, both as to prin-
7 cipal and interest, from all taxation (except surtaxes, es-
8 tate, inheritance, and gift taxes) now or hereafter imposed
9 by the United States or any District, Territory, depend-
10 ency, or possession thereof, or by any State, county, mu-
11 nicipality, or local taxing authority.

12 **SEC. 7. MORTGAGE RELIEF.**

13 (a) ACQUISITION OF MORTGAGES.—

14 (1) AUTHORITY.—The Corporation may, during
15 the three-year period beginning upon the date of the
16 enactment of this Act—

17 (A) to acquire in exchange for bonds
18 issued by the Corporation, home mortgages and
19 other obligations and liens secured by real es-
20 tate (including the interest of a vendor under a
21 purchase-money mortgage or contract) recorded
22 or filed in the proper office or executed before
23 the date of the enactment of this Act; and

24 (B) in connection with any such exchange,
25 to make advances in cash to pay the taxes and

assessments on the real estate, to provide for necessary maintenance and make necessary repairs, to meet the incidental expenses of the transaction, and to pay such amounts, not exceeding \$200 or such greater amount as may be approved by the Board, to the holder of the mortgage, obligation, or lien acquired as may be the difference between the face value of the bonds exchanged plus accrued interest thereon and the purchase price of the mortgage, obligation, or lien.

(2) LIMITATIONS.—

(A) IN GENERAL.—The face value of bonds exchanged pursuant to paragraph (1) for any home mortgage or other obligation or lien secured by real estate, plus accrued interest thereon and any cash advanced pursuant to paragraph (1)(B), shall not exceed such limits as the Board may establish, but shall not in any case exceed the lesser of—

(i) \$900,000; or

(ii) 90 percent of the fair market value of the real estate involved, as determined by an appraisal made by the Corporation.

1 (B) UPSIDE-DOWN MORTGAGES.—In any
2 case in which the amount of the face value of
3 the bonds exchanged plus accrued interest
4 thereon and the cash advanced is less than the
5 amount the home owner owes with respect to
6 the home mortgage or other obligation or lien
7 so acquired by the Corporation, the Corporation
8 shall credit the difference between such
9 amounts to the home owner and shall reduce
10 the amount owed by the home owner to the
11 Corporation to that extent.

12 (3) AMORTIZATION.—Each home mortgage or
13 other obligation or lien acquired by the Corporation
14 pursuant to this section shall be carried as a first
15 lien or refinanced as a home mortgage by the Cor-
16 poration on the basis of the price paid by the Cor-
17 poration for the mortgage, obligation, or lien, and
18 shall be amortized by means of monthly payments
19 sufficient to retire the interest and principal within
20 a period of not to exceed 40 years.

21 (4) PAYMENTS BY HOME OWNER.—

22 (A) TIMING.—Notwithstanding paragraph
23 (3), the amortization payments of any home
24 owner may be made quarterly, semiannually, or

1 annually, if in the judgment of the Corporation
2 the situation of the home owner so requires.

3 (B) FHA CONFORMING INTEREST RATES
4 AND TERMS.—The Corporation shall set terms
5 for repayment of the unpaid balance of the obli-
6 gation of the home owner to the Corporation
7 that are consistent with the rates and terms
8 being offered at the time for mortgages on real
9 estate of a similar type that are insured under
10 title II of the National Housing Act (12 U.S.C.
11 1707 et seq.), as adjusted for risk premiums to
12 be established by the Board.

13 (C) EXTENSION.—The Corporation may at
14 any time grant an extension of time to any
15 home owner for the payment of any installment
16 of principal or interest owed by the home owner
17 to the Corporation if, in the judgment of the
18 Corporation, the circumstances of the home
19 owner and the condition of the security justify
20 such extension, and no payment of any install-
21 ment of principal shall be required during the
22 three-year period beginning upon the date of
23 the enactment of this Act if the home owner is
24 not in default with respect to any other condi-

1 tion or covenant of the mortgage of the home
2 owner.

3 (b) NONDISCRIMINATION.—No discrimination shall
4 be made under this Act against any home mortgage by
5 reason of the fact that the real estate securing such mort-
6 gage is located in a municipality, county, or taxing district
7 which is in default upon any of its obligations.

8 (c) CASH LOANS ON UNENCUMBERED PROPERTY.—

9 (1) AUTHORITY.—The Corporation may, during
10 the three-year period beginning upon the date of the
11 enactment of this Act, make loans in cash subject to
12 the same limitations and for the same purposes for
13 which cash advances may be made under subsection
14 (a), in cases in which the property is not otherwise
15 encumbered.

16 (2) LIMITATION ON AMOUNT.—A loan pursuant
17 to this subsection may not exceed 50 percent of the
18 value of the property securing the loan, as deter-
19 mined upon an appraisal made by the Corporation.

20 (3) TERMS.—Each such loan shall—

21 (A) be secured by a duly recorded home
22 mortgage;

23 (B) bear interest at the same rate; and

24 (C) be subject to the same provisions with
25 respect to amortization and extensions as are

1 applicable in the case of obligations refinanced
2 under subsection (a).

3 (d) CASH ADVANCES FOR REDEMPTION OF FORE-
4 CLOSED HOMES.—The Corporation may, during the
5 three-year period beginning upon the date of the enact-
6 ment of this Act, exchange bonds and advance cash, sub-
7 ject to the limitations provided in subsection (a), to re-
8 deem or recover homes lost by the owners by foreclosure
9 or forced sale by a trustee under a deed of trust or under
10 power of attorney, or by voluntary surrender to the mort-
11 gagee within two years prior to such exchange or advance.

12 (e) APPRAISALS.—The Board shall establish rules for
13 the appraisal of the property on which loans are made
14 under this section to accomplish the purposes of this Act.

15 (f) BONDS ACCEPTED IN PAYMENT.—Any person in-
16 debted to the Corporation may make payment to the Cor-
17 poration in part or in full by delivery to the Corporation
18 of its bonds, which shall be accepted by the Corporation
19 for such purpose at face value.

20 **SEC. 8. OTHER PROVISIONS.**

21 (a) OFFICERS AND EMPLOYEES.—The Corporation
22 shall have power to select, employ, and fix the compensa-
23 tion of such officers, employees, attorneys, or agents as
24 shall be necessary for the performance of its duties under
25 this Act, without regard to the provisions of other laws

1 applicable to the employment or compensation of officers,
2 employees, attorneys, or agents of the United States. No
3 such officer, employee, attorney, or agent shall be paid
4 compensation at a rate in excess of market rates as docu-
5 mented by the Corporation. In carrying out its duties
6 under this section, the Corporation shall utilize the serv-
7 ices of private persons, including real estate and loan port-
8 folio asset management, property management, auction
9 marketing, and brokerage services, if such services are
10 available in the private sector and the Corporation deter-
11 mines utilization of such services is practicable and effi-
12 cient. Compensation paid to members of the Board shall
13 not exceed the rate provided by law.

14 (b) USE OF MAILS.—The Corporation may use the
15 United States mails in the same manner and under the
16 same conditions as other departments and agencies of the
17 United States.

18 (c) SALARIES AND EXPENSES.—The Corporation
19 shall pay such proportion of the expenses of the members
20 of the Board, and such proportion of the salaries and ex-
21 penses of its officers and employees, as the Board deter-
22 mines to be equitable, and may use the facilities of Federal
23 Home Loan Banks, upon making reasonable compensation
24 for such use, as determined by the Board.

1 (d) BYLAWS, RULES, AND REGULATIONS.—The
2 Board may make such bylaws, rules, and regulations, not
3 inconsistent with the provisions of this Act, as may be nec-
4 essary for the proper conduct of the affairs of the Corpora-
5 tion.

6 (e) RETIREMENT OF STOCK.—The Corporation shall
7 retire and cancel the bonds and stock of the Corporation
8 as rapidly as the resources of the Corporation will permit.
9 Upon the retirement of such stock, the reasonable value
10 of the stock as determined by the Board shall be paid into
11 the Treasury of the United States and the receipts issued
12 therefor shall be canceled.

13 (f) OPERATING EXPENSES.—The Board shall provide
14 for the operating expenses of the Corporation to be met
15 through use of any returns on investments and loans of
16 the Corporation.

17 **SEC. 9. LIQUIDATION.**

18 The Board shall proceed to liquidate the Corporation
19 when its purposes have been accomplished, and shall pay
20 any surplus or accumulated funds into the Treasury of
21 the United States. The Corporation may declare and pay
22 such dividends to the United States as may be earned and
23 the Board, in its judgment, determines it is proper for
24 the Corporation to pay.

1 **SEC. 10. DEFINITIONS.**

2 For purposes of this Act, the following definitions
3 shall apply:

4 (1) CORPORATION.—The term “Corporation”
5 means the Home Owners’ Loan Corporation estab-
6 lished under section 2.

7 (2) BOARD.—The term “Board” means the
8 Board of Directors of the Corporation.

9 (3) REAL ESTATE.—The term “real estate”
10 means real estate—

11 (A)(i) upon which there is located a dwell-
12 ing—

13 (I) for not more than four families;

14 and

15 (II) that is used by the owner of the
16 dwelling as a principal residence; and

17 (ii) that is held in fee simple or on a lease-
18 hold under a renewable lease for not less than
19 99 years; and

20 (iii) that has a value not exceeding
21 \$1,000,000; or

22 (B)(i) consisting of a one-family unit in a
23 multifamily project, including a project in which
24 the dwelling units are attached or are manufac-
25 tured housing units, semi-detached, or de-

1 tached, that is used by the owner as a principal
2 residence;

3 (ii) that is held in fee simple or on a long-
4 term leasehold, together with an undivided in-
5 terest in the common areas and facilities that
6 serve the project; and

7 (iii) that has a value not exceeding
8 \$500,000.

○