

110TH CONGRESS  
1ST SESSION

# S. 2325

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 8, 2007

Mr. VOINOVICH introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, 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. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Expanding American Homeownership Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title and table of contents.

Sec. 2. Findings and purposes.

Sec. 3. Maximum principal loan obligation.

- Sec. 4. Extension of mortgage term.
- Sec. 5. Cash investment requirement.
- Sec. 6. Temporary reinstatement of downpayment requirement in event of increased defaults.
- Sec. 7. Mortgage insurance premiums.
- Sec. 8. Rehabilitation loans.
- Sec. 9. Discretionary action.
- Sec. 10. Insurance of condominiums.
- Sec. 11. Mutual Mortgage Insurance Fund.
- Sec. 12. Hawaiian home lands and Indian reservations.
- Sec. 13. Conforming and technical amendments.
- Sec. 14. Home equity conversion mortgages.
- Sec. 15. Conforming loan limit in disaster areas.
- Sec. 16. Participation of mortgage brokers and correspondent lenders.
- Sec. 17. Sense of Congress regarding technology for financial systems.
- Sec. 18. Savings provision.
- Sec. 19. Implementation.

## 1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) one of the primary missions of the Federal  
 4 Housing Administration (FHA) single family mort-  
 5 gage insurance program is to reach borrowers who  
 6 are underserved, or not served, by the existing con-  
 7 ventional mortgage marketplace;

8 (2) the FHA program has a long history of in-  
 9 novation, which includes pioneering the 30-year self-  
 10 amortizing mortgage and a safe-to-seniors reverse  
 11 mortgage product, both of which were once thought  
 12 too risky to private lenders;

13 (3) the FHA single family mortgage insurance  
 14 program traditionally has been a major provider of  
 15 mortgage insurance for home purchases;

16 (4) the FHA mortgage insurance premium  
 17 structure, as well as FHA's product offerings,

1       should be revised to reflect FHA's enhanced ability  
2       to determine risk at the loan level and to allow FHA  
3       to better respond to changes in the mortgage mar-  
4       ket;

5           (5) during past recessions, including the oil-  
6       patch downturns in the mid-1980s, FHA remained  
7       a viable credit enhancer and was therefore instru-  
8       mental in preventing a more catastrophic collapse in  
9       housing markets and a greater loss of homeowner  
10      equity; and

11          (6) as housing price appreciation slows and in-  
12      terest rates rise, many homeowners and prospective  
13      homebuyers will need the less-expensive, safer fi-  
14      nancing alternative that FHA mortgage insurance  
15      provides.

16      (b) PURPOSES.—The purposes of this Act are—

17          (1) to provide flexibility to FHA to allow for  
18      the insurance of housing loans for low- and mod-  
19      erate-income homebuyers during all economic cycles  
20      in the mortgage market;

21          (2) to modernize the FHA single family mort-  
22      gage insurance program by making it more reflective  
23      of enhancements to loan-level risk assessments and  
24      changes to the mortgage market; and

1           (3) to adjust the loan limits for the single fam-  
 2           ily mortgage insurance program to reflect rising  
 3           house prices and the increased costs associated with  
 4           new construction.

5 **SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

6           Paragraph (2) of section 203(b) of the National  
 7           Housing Act (12 U.S.C. 1709(b)(2)) is amended—

8           (1) by striking subparagraphs (A) and (B) and  
 9           inserting the following new subparagraphs:

10                   “(A) not to exceed the lesser of—

11                           “(i) in the case of a 1-family resi-  
 12                           dence, the median 1-family house price in  
 13                           the area, as determined by the Secretary;  
 14                           and in the case of a 2-, 3-, or 4-family res-  
 15                           idence, the percentage of such median  
 16                           price that bears the same ratio to such me-  
 17                           dian price as the dollar amount limitation  
 18                           in effect under section 305(a)(2) of the  
 19                           Federal Home Loan Mortgage Corporation  
 20                           Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or  
 21                           4-family residence, respectively, bears to  
 22                           the dollar amount limitation in effect  
 23                           under such section for a 1-family resi-  
 24                           dence; or

1                   “(ii) the dollar amount limitation de-  
2                   termined under such section 305(a)(2) for  
3                   a residence of the applicable size;  
4                   except that the dollar amount limitation in ef-  
5                   fect for any area under this subparagraph may  
6                   not be less than the greater of (I) the dollar  
7                   amount limitation in effect under this section  
8                   for the area on October 21, 1998, or (II) 65  
9                   percent of the dollar limitation determined  
10                  under such section 305(a)(2) for a residence of  
11                  the applicable size; and

12                  “(B) not to exceed the appraised value of  
13                  the property, plus any initial service charges,  
14                  appraisal, inspection and other fees in connec-  
15                  tion with the mortgage as approved by the Sec-  
16                  retary.”;

17                  (2) in the matter after and below subparagraph  
18                  (B), by striking the second sentence (relating to a  
19                  definition of “average closing cost”) and all that fol-  
20                  lows through “title 38, United States Code”; and

21                  (3) by striking the last undesignated paragraph  
22                  (relating to counseling with respect to the respon-  
23                  sibilities and financial management involved in  
24                  homeownership).

1 **SEC. 4. EXTENSION OF MORTGAGE TERM.**

2 Paragraph (3) of section 203(b) of the National  
3 Housing Act (12 U.S.C. 1709(b)(3)) is amended—

4 (1) by striking “thirty-five years” and inserting  
5 “forty years”; and

6 (2) by striking “(or thirty years if such mort-  
7 gage is not approved for insurance prior to construc-  
8 tion)”.  
9

9 **SEC. 5. CASH INVESTMENT REQUIREMENT.**

10 Paragraph (9) of section 203(b) of the National  
11 Housing Act (12 U.S.C. 1709(b)(9)) is amended by strik-  
12 ing the paragraph designation and all that follows through  
13 “*Provided further*, That for” and inserting the following:

14 “(9) Be executed by a mortgagor who shall  
15 have paid on account of the property, in cash or its  
16 equivalent, an amount, if any, as the Secretary may  
17 determine based on factors determined by the Sec-  
18 retary and commensurate with the likelihood of de-  
19 fault. For”.

20 **SEC. 6. TEMPORARY REINSTATEMENT OF DOWNPAYMENT**  
21 **REQUIREMENT IN EVENT OF INCREASED DE-**  
22 **FAULTS.**

23 Section 203(b) of the National Housing Act (12  
24 U.S.C. 1709(b)) is amended by adding at the end the fol-  
25 lowing new paragraph:

26 “(10) EFFECT OF INCREASED DEFAULTS.—

1           “(A) ANNUAL DETERMINATION.—If, for  
2           any calendar year described in subparagraph  
3           (B)(i), the Secretary determines, pursuant such  
4           subparagraph, that—

5                   “(i) the ratio of the number of mort-  
6                   gage insurance claims made during such  
7                   calendar year on mortgages insured under  
8                   this section to the total number of mort-  
9                   gages having such insurance in force dur-  
10                  ing such calendar year exceeds, by 25 per-  
11                  cent or more, such ratio for the 12-month  
12                  period ending on the effective date of this  
13                  Act, or

14                   “(ii) the ratio of the aggregate re-  
15                   maining principal obligation under mort-  
16                   gages insured under this section for which  
17                   an insurance claim is made during such  
18                   calendar year to the average, for such cal-  
19                   endar year, of the aggregate outstanding  
20                   principal obligation under mortgages so in-  
21                   sured exceeds, by 25 percent or more, such  
22                   ratio for the 12-month period ending on  
23                   such effective date,

24           during the 90-day period beginning upon the  
25           submission of the report for such calendar year

1 under subparagraph (B)(ii) containing such de-  
2 termination, the Secretary may insure a mort-  
3 gage under this section only pursuant to the re-  
4 quirement under subparagraph (C), and the  
5 Secretary shall, not later than 60 days after  
6 submission of the report containing such deter-  
7 mination, submit a report to the Congress  
8 under subparagraph (D) regarding mortgage  
9 insurance claims during such calendar year.

10 “(B) 5 YEARS OF ANNUAL DETERMINA-  
11 TIONS.—

12 “(i) IN GENERAL.—The Secretary  
13 shall, for each of the 5 calendar years com-  
14 mencing after the date of the enactment of  
15 this Act, compare the ratios referred to in  
16 subparagraph (A) and make a determina-  
17 tion under such subparagraph.

18 “(ii) ANNUAL REPORT ON DE-  
19 FAULTS.—Not later than 90 days after the  
20 conclusion of each of the calendar years  
21 described in clause (i), the Secretary shall  
22 submit a report to the Congress containing  
23 the determination of the Secretary under  
24 such clause with respect to such calendar



1           year and setting forth the ratios referred  
2           to in such clause for such calendar year.

3           “(C) REINSTATEMENT OF DOWNPAYMENT  
4           REQUIREMENT.—The requirement under this  
5           subparagraph is that paragraph (9) of this sub-  
6           section shall apply as such paragraph was in ef-  
7           fect on the day before the effective date of the  
8           Expanding American Homeownership Act of  
9           2007.

10          “(D) REPORTS REGARDING INCREASED  
11          DEFAULT RATE.—A report under this subpara-  
12          graph, as required under subparagraph (A),  
13          shall contain—

14               “(i) an analysis of mortgage insurance  
15               claims, made during the calendar year for  
16               which the report is submitted, on mort-  
17               gages insured under this section;

18               “(ii) an analysis of the reasons for the  
19               increase during such calendar year in the  
20               applicable ratio or ratios under subpara-  
21               graph (A), including an analysis of the ex-  
22               tent to which such increase is attributable  
23               to the amendments made by the Expand-  
24               ing American Homeownership Act of 2007;

1 “(iii) the effect of such increase on  
2 the Mutual Mortgage Insurance Fund;

3 “(iv) recommendations regarding—

4 “(I) whether the Congress  
5 should, to respond to such increase,  
6 take legislative action (aa) to apply  
7 paragraph (9) of this subsection as  
8 such paragraph was in effect on the  
9 day before the effective date of Ex-  
10 panding American Homeownership  
11 Act of 2007, (bb) to apply paragraph  
12 (2)(A)(ii) by substituting ‘87 percent  
13 of the dollar amount limitation’ for  
14 ‘the dollar amount limitation’, or (cc)  
15 both; and

16 “(II) whether such provisions  
17 should be temporary or permanent,  
18 and, if temporary, the period during  
19 which such provisions should apply;  
20 and

21 “(v) recommendations regarding any  
22 other administrative, regulatory, legislative,  
23 or other actions that should be taken to re-  
24 spond to such increase.

1           “(E) DEFAULTS IN DISASTER AREAS NOT  
2           COUNTED FOR 24 MONTHS.—In determining the  
3           number of mortgage insurance claims made and  
4           the aggregate remaining principal obligation  
5           under mortgages for which an insurance claim  
6           is made for purposes of subparagraph (A) for  
7           any calendar year, the Secretary shall not take  
8           into consideration any claim made during such  
9           period on a mortgage on any property that is  
10          located in an area for which a major disaster  
11          was declared pursuant to the Robert T. Staf-  
12          ford Disaster Relief and Emergency Assistance  
13          Act if such claim was made during the 24-  
14          month period beginning upon such declara-  
15          tion.”.

16 **SEC. 7. MORTGAGE INSURANCE PREMIUMS.**

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

19               (1) in paragraph (2), in the matter preceding  
20          subparagraph (A), by striking “Notwithstanding”  
21          and inserting “Except as provided in paragraph (3)  
22          and notwithstanding”; and

23               (2) by adding at the end the following new  
24          paragraph:

25          “(3) FLEXIBLE RISK-BASED PREMIUMS.—

1           “(A) IN GENERAL.—For any mortgage insured  
2       by the Secretary under this title that is secured by  
3       a 1- to 4-family dwelling and for which the loan ap-  
4       plication is received by the mortgagee on or after the  
5       date of enactment of the Expanding American  
6       Homeownership Act of 2007, the Secretary may es-  
7       tablish a mortgage insurance premium structure in-  
8       volving a single premium payment collected prior to  
9       the insurance of the mortgage or annual payments  
10      (which may be collected on a periodic basis), or both,  
11      subject to the limitations in subparagraphs (B) and  
12      (C). The rate of premium for such a mortgage may  
13      vary during the mortgage term as long as the basis  
14      for determining the variable rate is established be-  
15      fore the execution of the mortgage. The Secretary  
16      may change a premium structure established under  
17      this subparagraph but only to the extent that such  
18      change is not applied to any mortgage already exe-  
19      cuted.

20           “(B)       MAXIMUM       UP-FRONT       PREMIUM  
21      AMOUNTS.—For any mortgage insured under a pre-  
22      mium structure established pursuant to this para-  
23      graph, the amount of any single premium payment  
24      authorized by subparagraph (A), if established and

1 collected prior to the insurance of the mortgage,  
2 may not exceed the following amount:

3 “(i) Except as provided in clauses (ii) and  
4 (iii), 3.0 percent of the amount of the original  
5 insured principal obligation of the mortgage.

6 “(ii) If the mortgagor has a credit score  
7 equivalent to a FICO score of 560 or more and  
8 has paid on account of the property, in cash or  
9 its equivalent, at least 3 percent of the Sec-  
10 retary’s estimate of the cost of acquisition (ex-  
11 cluding the mortgage insurance premium paid  
12 at the time the mortgage is insured), 2.25 per-  
13 cent of the original insured principal obligation  
14 of the mortgage.

15 “(iii) If the annual premium payment is  
16 equal to the maximum amount allowable under  
17 clause (i) of subparagraph (C), 1.5 percent of  
18 the amount of the original insured principal ob-  
19 ligation of the mortgage.

20 “(C) MAXIMUM ANNUAL PREMIUM AMOUNTS.—

21 For any mortgage insured under a premium struc-  
22 ture established pursuant to this paragraph, the  
23 amount of any annual premium payment collected  
24 may not exceed the following amount:

1           “(i) Except as provided in clauses (ii) and  
2           (iii), 2.0 percent of the remaining insured prin-  
3           cipal obligation of the mortgage.

4           “(ii) If the mortgagor is a mortgagor de-  
5           scribed in clause (ii) of subparagraph (B), 0.55  
6           percent of the remaining insured principal obli-  
7           gation of the mortgage.

8           “(iii) If the single premium payment col-  
9           lected at the time of insurance is equal to max-  
10          imum amount allowable under clause (i) of sub-  
11          paragraph (B), 1.0 percent of the remaining in-  
12          sured principal obligation of the mortgage.

13          “(D) PAYMENT INCENTIVE.—Notwithstanding  
14          subparagraph (C), for any mortgage insured under  
15          a premium structure established pursuant to this  
16          paragraph and for which the annual premium pay-  
17          ment exceeds the amount set forth in subparagraph  
18          (C)(ii), if during the 5-year period beginning upon  
19          the time of insurance all mortgage insurance pre-  
20          miums for such mortgage have been paid on a timely  
21          basis, upon the expiration of such period the Sec-  
22          retary shall reduce the amount of the annual pre-  
23          mium payments due thereafter under such mortgage  
24          to an amount equal to the amount set forth in sub-  
25          paragraph (C)(ii).

1           “(E) ESTABLISHMENT AND ALTERATION OF  
2 PREMIUM STRUCTURE.—A premium structure shall  
3 be established or changed under subparagraph (A)  
4 only by providing notice to mortgagees and to the  
5 Congress, at least 30 days before the premium  
6 structure is established or changed.

7           “(F) CONSIDERATIONS FOR PREMIUM STRUC-  
8 TURE.—When establishing a premium structure  
9 under subparagraph (A) or when changing such a  
10 premium structure, the Secretary shall consider the  
11 following:

12               “(i) The effect of the proposed premium  
13 structure on the Secretary’s ability to meet the  
14 operational goals of the Mutual Mortgage In-  
15 surance Fund as provided in section 202(a).

16               “(ii) Underwriting variables.

17               “(iii) The extent to which new pricing  
18 under the proposed premium structure has po-  
19 tential for acceptance in the private market.

20               “(iv) The administrative capability of the  
21 Secretary to administer the proposed premium  
22 structure.

23               “(v) The effect of the proposed premium  
24 structure on the Secretary’s ability to maintain

1           the availability of mortgage credit and provide  
2           stability to mortgage markets.”.

3 **SEC. 8. REHABILITATION LOANS.**

4           Subsection (k) of section 203 of the National Hous-  
5 ing Act (12 U.S.C. 1709(k)) is amended—

6           (1) in paragraph (1), by striking “on” and all  
7           that follows through “1978”; and

8           (2) in paragraph (5)—

9           (A) by striking “General Insurance Fund”  
10           the first place it appears and inserting “Mutual  
11           Mortgage Insurance Fund”; and

12           (B) in the second sentence, by striking the  
13           comma and all that follows through “General  
14           Insurance Fund”.

15 **SEC. 9. DISCRETIONARY ACTION.**

16           The National Housing Act is amended—

17           (1) in subsection (e) of section 202 (12 U.S.C.  
18           1708(e))—

19           (A) in paragraph (3)(B), by striking “sec-  
20           tion 202(e) of the National Housing Act” and  
21           inserting “this subsection”; and

22           (B) by redesignating such subsection as  
23           subsection (f);



1           (2) by striking paragraph (4) of section 203(s)  
 2           (12 U.S.C. 1709(s)(4)) and inserting the following  
 3           new paragraph:

4           “(4) the Secretary of Agriculture;”; and

5           (3) by transferring subsection (s) of section 203  
 6           (as amended by paragraph (2) of this section) to  
 7           section 202, inserting such subsection after sub-  
 8           section (d) of section 202, and redesignating such  
 9           subsection as subsection (e).

10 **SEC. 10. INSURANCE OF CONDOMINIUMS.**

11           (a) IN GENERAL.—Section 234 of the National  
 12           Housing Act (12 U.S.C. 1715y) is amended—

13           (1) in subsection (c)—

14           (A) in the first sentence—

15           (i) by striking “and” before “(2)”;  
 16           and

17           (ii) by inserting before the period at  
 18           the end the following: “, and (3) the  
 19           project has a blanket mortgage insured by  
 20           the Secretary under subsection (d)”; and

21           (B) in clause (B) of the third sentence, by  
 22           striking “thirty-five years” and inserting “forty  
 23           years”; and

24           (2) in subsection (g), by striking “, except  
 25           that” and all that follows and inserting a period.

1 (b) DEFINITION OF MORTGAGE.—Section 201(a) of  
 2 the National Housing Act (12 U.S.C. 1707(a)) is amend-  
 3 ed—

4 (1) in clause (1), by striking “or” and inserting  
 5 a comma; and

6 (2) by inserting before the semicolon the fol-  
 7 lowing: “, or (c) a first mortgage given to secure the  
 8 unpaid purchase price of a fee interest in, or long-  
 9 term leasehold interest in, a one-family unit in a  
 10 multifamily project, including a project in which the  
 11 dwelling units are attached, semi-detached, or de-  
 12 tached, and an undivided interest in the common  
 13 areas and facilities which serve the project”.

14 **SEC. 11. MUTUAL MORTGAGE INSURANCE FUND.**

15 (a) IN GENERAL.—Subsection (a) of section 202 of  
 16 the National Housing Act (12 U.S.C. 1708(a)) is amended  
 17 to read as follows:

18 “(a) MUTUAL MORTGAGE INSURANCE FUND.—

19 “(1) ESTABLISHMENT.—Subject to the provi-  
 20 sions of the Federal Credit Reform Act of 1990,  
 21 there is hereby created a Mutual Mortgage Insur-  
 22 ance Fund (in this title referred to as the ‘Fund’),  
 23 which shall be used by the Secretary to carry out the  
 24 provisions of this title with respect to mortgages in-  
 25 sured under section 203. The Secretary may enter

1 into commitments to guarantee, and may guarantee,  
2 such insured mortgages.

3 “(2) LIMIT ON LOAN GUARANTEES.—The au-  
4 thority of the Secretary to enter into commitments  
5 to guarantee such insured mortgages shall be effec-  
6 tive for any fiscal year only to the extent that the  
7 aggregate original principal loan amount under such  
8 mortgages, any part of which is guaranteed, does  
9 not exceed the amount specified in appropriations  
10 Acts for such fiscal year.

11 “(3) FIDUCIARY RESPONSIBILITY.—The Sec-  
12 retary has a responsibility to ensure that the Mutual  
13 Mortgage Insurance Fund remains financially sound.

14 “(4) ANNUAL INDEPENDENT ACTUARIAL  
15 STUDY.—The Secretary shall provide for an inde-  
16 pendent actuarial study of the Fund to be conducted  
17 annually, which shall analyze the financial position  
18 of the Fund. The Secretary shall submit a report  
19 annually to the Congress describing the results of  
20 such study and assessing the financial status of the  
21 Fund. The report shall recommend adjustments to  
22 underwriting standards, program participation, or  
23 premiums, if necessary, to ensure that the Fund re-  
24 mains financially sound.

1           “(5) QUARTERLY REPORTS.—During each fiscal  
2           year, the Secretary shall submit a report to the Con-  
3           gress for each quarter, which shall specify for mort-  
4           gages that are obligations of the Fund—

5                   “(A) the cumulative volume of loan guar-  
6                   antee commitments that have been made during  
7                   such fiscal year through the end of the quarter  
8                   for which the report is submitted;

9                   “(B) the types of loans insured, cat-  
10                  egorized by risk;

11                  “(C) any significant changes between ac-  
12                  tual and projected claim and prepayment activ-  
13                  ity;

14                  “(D) projected versus actual loss rates;  
15                  and

16                  “(E) updated projections of the annual  
17                  subsidy rates to ensure that increases in risk to  
18                  the Fund are identified and mitigated by ad-  
19                  justments to underwriting standards, program  
20                  participation, or premiums, and the financial  
21                  soundness of the Fund is maintained.

22           The first quarterly report under this paragraph shall  
23           be submitted on the last day of the first quarter of  
24           fiscal year 2008, or upon the expiration of the 90-  
25           day period beginning on the date of the enactment

1 of the Expanding American Homeownership Act of  
2 2007, whichever is later.

3 “(6) ADJUSTMENT OF PREMIUMS.—If, pursu-  
4 ant to the independent actuarial study of the Fund  
5 required under paragraph (5), the Secretary deter-  
6 mines that the Fund is not meeting the operational  
7 goals established under paragraph (8) or there is a  
8 substantial probability that the Fund will not main-  
9 tain its established target subsidy rate, the Secretary  
10 may either make programmatic adjustments under  
11 section 203 as necessary to reduce the risk to the  
12 Fund, or make appropriate premium adjustments.

13 “(7) OPERATIONAL GOALS.—The operational  
14 goals for the Fund are—

15 “(A) to charge borrowers under loans that  
16 are obligations of the Fund an appropriate pre-  
17 mium for the risk that such loans pose to the  
18 Fund;

19 “(B) to minimize the default risk to the  
20 Fund and to homeowners;

21 “(C) to curtail the impact of adverse selec-  
22 tion on the Fund; and

23 “(D) to meet the housing needs of the bor-  
24 rowers that the single family mortgage insur-

1           ance program under this title is designed to  
2           serve.”.

3           (b) OBLIGATIONS OF FUND.—The National Housing  
4 Act is amended as follows:

5           (1) HOMEOWNERSHIP VOUCHER PROGRAM  
6 MORTGAGES.—In section 203(v) (12 U.S.C.  
7 1709(v))—

8           (A) by striking “Notwithstanding section  
9 202 of this title, the” and inserting “The”; and

10          (B) by striking “General Insurance Fund”  
11 the first place such term appears and all that  
12 follows and inserting “Mutual Mortgage Insur-  
13 ance Fund.”.

14          (2) HOME EQUITY CONVERSION MORTGAGES.—  
15 Section 255(i)(2)(A) of the National Housing Act  
16 (12 U.S.C. 1715z–20(i)(2)(A)) is amended by strik-  
17 ing “General Insurance Fund” and inserting “Mu-  
18 tual Mortgage Insurance Fund”.

19          (c) CONFORMING AMENDMENTS.—The National  
20 Housing Act is amended—

21          (1) in section 205 (12 U.S.C. 1711), by striking  
22 subsections (g) and (h); and

23          (2) in section 519(e) (12 U.S.C. 1735c(e)), by  
24 striking “203(b)” and all that follows through

1 “203(i)” and inserting “203, except as determined  
2 by the Secretary”.

3 **SEC. 12. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**  
4 **TIONS.**

5 (a) HAWAIIAN HOME LANDS.—Section 247(c) of the  
6 National Housing Act (12 U.S.C. 1715z–12) is amend-  
7 ed—

8 (1) by striking “General Insurance Fund estab-  
9 lished in section 519” and inserting “Mutual Mort-  
10 gage Insurance Fund”; and

11 (2) in the second sentence, by striking “(1) all  
12 references” and all that follows through “and (2)”.

13 (b) INDIAN RESERVATIONS.—Section 248(f) of the  
14 National Housing Act (12 U.S.C. 1715z–13) is amend-  
15 ed—

16 (1) by striking “General Insurance Fund” the  
17 first place it appears through “519” and inserting  
18 “Mutual Mortgage Insurance Fund”; and

19 (2) in the second sentence, by striking “(1) all  
20 references” and all that follows through “and (2)”.

21 **SEC. 13. CONFORMING AND TECHNICAL AMENDMENTS.**

22 (a) REPEALS.—The following provisions of the Na-  
23 tional Housing Act are repealed:

24 (1) Subsection (i) of section 203 (12 U.S.C.  
25 1709(i)).

1           (2) Subsection (o) of section 203 (12 U.S.C.  
2       1709(o)).

3           (3) Subsection (p) of section 203 (12 U.S.C.  
4       1709(p)).

5           (4) Subsection (q) of section 203 (12 U.S.C.  
6       1709(q)).

7           (5) Section 222 (12 U.S.C. 1715m).

8           (6) Section 237 (12 U.S.C. 1715z-2).

9           (7) Section 245 (12 U.S.C. 1715z-10).

10       (b) DEFINITION OF AREA.—Section 203(u)(2)(A) of  
11 the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is  
12 amended by striking “shall” and all that follows and in-  
13 serting “means a metropolitan statistical area as estab-  
14 lished by the Office of Management and Budget;”.

15       (c) DEFINITION OF STATE.—Section 201(d) of the  
16 National Housing Act (12 U.S.C. 1707(d)) is amended by  
17 striking “the Trust Territory of the Pacific Islands” and  
18 inserting “the Commonwealth of the Northern Mariana  
19 Islands”.

20 **SEC. 14. HOME EQUITY CONVERSION MORTGAGES.**

21       (a) IN GENERAL.—Section 255 of the National  
22 Housing Act (12 U.S.C. 1715z-20) is amended—

23           (1) in subsection (g)—

24               (A) by striking the first sentence; and



1 (B) by striking “established under section  
 2 203(b)(2)” and all that follows through “lo-  
 3 cated” and inserting “limitation established  
 4 under section 305(a)(2) of the Federal Home  
 5 Loan Mortgage Corporation Act for a 1-family  
 6 residence”;

7 (2) in subsection (i)(1)(C), by striking “limita-  
 8 tions” and inserting “limitation”; and

9 (3) by adding at the end the following new sub-  
 10 section:

11 “(n) AUTHORITY TO INSURE HOME PURCHASE  
 12 MORTGAGE.—

13 “(1) IN GENERAL.—Notwithstanding any other  
 14 provision in this section, the Secretary may insure,  
 15 upon application by a mortgagee, a home equity con-  
 16 version mortgage upon such terms and conditions as  
 17 the Secretary may prescribe, when the primary pur-  
 18 pose of the home equity conversion mortgage is to  
 19 enable an elderly mortgagor to purchase a 1- to 4-  
 20 family dwelling in which the mortgagor will occupy  
 21 or occupies one of the units.

22 “(2) LIMITATION ON PRINCIPAL OBLIGATION.—  
 23 A home equity conversion mortgage insured pursu-  
 24 ant to paragraph (1) shall involve a principal obliga-  
 25 tion that does not exceed the dollar amount limita-

1       tion determined under section 305(a)(2) of the Fed-  
 2       eral Home Loan Mortgage Corporation Act for a  
 3       residence of the applicable size.”.

4       (b) MORTGAGES FOR COOPERATIVES.—Subsection  
 5 (b) of section 255 of the National Housing Act (12 U.S.C.  
 6 1715z–20(b)) is amended—

7           (1) in paragraph (4)—

8               (A) by inserting “a first or subordinate  
 9               mortgage or lien” before “on all stock”;

10              (B) by inserting “unit” after “dwelling”;  
 11              and

12              (C) by inserting “a first mortgage or first  
 13              lien” before “on a leasehold”; and

14           (2) in paragraph (5), by inserting “a first or  
 15           subordinate lien on” before “all stock”.

16       (c) STUDY REGARDING MORTGAGE INSURANCE PRE-  
 17 MIUMS.—The Secretary of Housing and Urban Develop-  
 18 ment shall conduct a study regarding mortgage insurance  
 19 premiums charged under the program under section 255  
 20 of the National Housing Act (12 U.S.C. 1715z–20) for  
 21 insurance of home equity conversion mortgages to analyze  
 22 and determine—

23           (1) the effects of reducing the amounts of such  
 24           premiums from the amounts charged as of the date  
 25           of the enactment of this Act on—

1 (A) costs to mortgagors; and

2 (B) the financial soundness of the pro-  
3 gram; and

4 (2) the feasibility and effectiveness of exempt-  
5 ing, from all the requirements under the program re-  
6 garding payment of mortgage insurance premiums  
7 (including both up-front or annual mortgage insur-  
8 ance premiums under section 203(c)(2) of such Act),  
9 any mortgage insured under the program under  
10 which part or all of the amount of future payments  
11 made to the homeowner are used for costs of a long-  
12 term care insurance contract covering the mortgagor  
13 or members of the household residing in the mort-  
14 gaged property.

15 Not later than the expiration of the 12-month period be-  
16 ginning on the date of the enactment of this Act, the Sec-  
17 retary shall submit a report to the Congress setting forth  
18 the results and conclusions of the study.

19 **SEC. 15. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

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

22 (1) by inserting after “property” the following:  
23 “plus any initial service charges, appraisal, inspec-  
24 tion and other fees in connection with the mortgage  
25 as approved by the Secretary,”;

1           (2) by striking the second sentence (as added  
2           by chapter 7 of the Emergency Supplemental Appro-  
3           priations Act of 1994 (Public Law 103–211; 108  
4           Stat. 12)); and

5           (3) by adding at the end the following new sen-  
6           tence: “In any case in which the single family resi-  
7           dence to be insured under this subsection is within  
8           a jurisdiction in which the President has declared a  
9           major disaster to have occurred, the Secretary is au-  
10          thorized, for a temporary period not to exceed 36  
11          months from the date of such Presidential declara-  
12          tion, to enter into agreements to insure a mortgage  
13          which involves a principal obligation of up to 100  
14          percent of the dollar limitation determined under  
15          section 305(a)(2) of the Federal Home Loan Mort-  
16          gage Corporation Act for a single family residence,  
17          and not in excess of 100 percent of the appraised  
18          value of the property plus any initial service charges,  
19          appraisal, inspection and other fees in connection  
20          with the mortgage as approved by the Secretary.”.

21 **SEC. 16. PARTICIPATION OF MORTGAGE BROKERS AND**  
22 **CORRESPONDENT LENDERS.**

23           (a) DEFINITIONS.—

24           (1) IN GENERAL.—Section 201 of the National  
25          Housing Act (12 U.S.C. 1707) is amended—

1 (A) by striking “As used in section 203 of  
 2 this title—” and inserting “As used in this title  
 3 and for purposes of participation in insurance  
 4 programs under this title, except as specifically  
 5 provided otherwise, the following definitions  
 6 shall apply.”;

7 (B) by striking subsection (b) and insert-  
 8 ing the following:

9 “(2) The term ‘mortgagee’ means any of the  
 10 following entities, and its successors and assigns, to  
 11 the extent such entity is approved by the Secretary:

12 “(A) A lender or correspondent lender,  
 13 who—

14 “(i) makes, underwrites, and services  
 15 mortgages;

16 “(ii) submits to the Secretary such fi-  
 17 nancial audits performed in accordance  
 18 with the standards for financial audits of  
 19 the Government Auditing Standards issued  
 20 by the Comptroller of the United States;

21 “(iii) meet the minimum net worth re-  
 22 quirement that the Secretary shall estab-  
 23 lish; and

24 “(iv) complies with such other re-  
 25 quirements as the Secretary may establish.

1 “(B) A correspondent lender who—

2 “(i) closes a mortgage in its name but  
3 does not underwrite or service the mort-  
4 gage;

5 “(ii) posts a surety bond, in lieu of  
6 any requirement to provide audited finan-  
7 cial statements or meet a minimum net  
8 worth requirement, in—

9 “(I) a form satisfactory to the  
10 Secretary; and

11 “(II) an amount of \$75,000, as  
12 such amount is adjusted annually by  
13 the Secretary (as determined under  
14 regulations of the Secretary) by the  
15 change for such year in the Consumer  
16 Price Index for All Urban Consumers  
17 published monthly by the Bureau of  
18 Labor Statistics of the Department of  
19 Labor; and

20 “(iii) complies with such other re-  
21 quirements as the Secretary may establish.

22 “(C) A mortgage broker who—

23 “(i) closes the mortgage in the name  
24 of the lender and does not make, under-  
25 write, or service the mortgage;

1 “(ii) is licensed, under the laws of the  
 2 State in which the property that is subject  
 3 to the mortgage is located, to act as a  
 4 mortgage broker in such State;

5 “(iii) posts a surety bond in accord-  
 6 ance with the requirements of subpara-  
 7 graph (B)(ii); and

8 “(iv) complies with such other re-  
 9 quirements as the Secretary may establish.

10 “(3) The term ‘mortgagor’ includes the original  
 11 borrower under a mortgage and the successors and  
 12 assigns of the original borrower.”;

13 (C) in subsection (a), by redesignating  
 14 clauses (1) and (2) as clauses (A) and (B) re-  
 15 spectively; and

16 (D) by redesignating subsections (a), (c),  
 17 (d), (e), and (f) as paragraphs (1), (4), (5), (6),  
 18 and (7), respectively, and realigning such para-  
 19 graphs two ems from the left margin.

20 (2) MORTGAGEE REVIEW.—Section 202(c)(7) of  
 21 the National Housing Act (12 U.S.C. 1708(c)(7)) is  
 22 amended—

23 (A) in subparagraph (A), by inserting “, as  
 24 defined in section 201,” after “mortgagee”;

25 (B) by striking subparagraph (B); and

1 (C) by redesignating subparagraphs (C)  
2 and (D) as subparagraphs (B) and (C), respec-  
3 tively.

4 (3) MULTIFAMILY RENTAL HOUSING INSUR-  
5 ANCE.—Section 207(a)(2) of the National Housing  
6 Act (12 U.S.C. 1713(a)(2)) is amended by striking  
7 “means the original lender under a mortgage, and  
8 its successors and assigns, and” and inserting “has  
9 the meaning given such term in section 201, except  
10 that such term also”.

11 (4) WAR HOUSING INSURANCE.—Section 601(b)  
12 of the National Housing Act (12 U.S.C. 1736(b)) is  
13 amended by striking “includes the original lender  
14 under a mortgage, and his successors and assigns  
15 approved by the Secretary” and inserting “has the  
16 meaning given such term in section 201”.

17 (5) ARMED SERVICES HOUSING MORTGAGE IN-  
18 SURANCE.—Section 801(b) of the National Housing  
19 Act (12 U.S.C. 1748(b)) is amended by striking “in-  
20 cludes the original lender under a mortgage, and his  
21 successors and assigns approved by the Secretary”  
22 and inserting “has the meaning given such term in  
23 section 201”.

24 (6) GROUP PRACTICE FACILITIES MORTGAGE  
25 INSURANCE.—Section 1106(8) of the National



1       Housing Act (12 U.S.C. 1749aaa–5(8)) is amended  
 2       by striking “means the original lender under a mort-  
 3       gage, and his or its successors and assigns, and”  
 4       and inserting “has the meaning given such term in  
 5       section 201, except that such term also”.

6       (b) ELIGIBILITY FOR INSURANCE.—

7               (1) TITLE I.—Paragraph (1) of section 8(b) of  
 8       the National Housing Act (12 U.S.C. 1706c(b)(1))  
 9       is amended—

10                   (A) by striking “, and be held by,”; and

11                   (B) by striking “as responsible and able to  
 12       service the mortgage properly”.

13               (2) SINGLE FAMILY HOUSING MORTGAGE IN-  
 14       SURANCE.—Paragraph (1) of section 203(b) of the  
 15       National Housing Act (12 U.S.C. 1709(b)(1)) is  
 16       amended—

17                   (A) by striking “, and be held by,”; and

18                   (B) by striking “as responsible and able to  
 19       service the mortgage properly”.

20               (3) SECTION 221 MORTGAGE INSURANCE.—

21       Paragraph (1) of section 221(d) of the National  
 22       Housing Act (12 U.S.C. 1715l(d)(1)) is amended—

23                   (A) by striking “and be held by,”; and

24                   (B) by striking “as responsible and able to  
 25       service the mortgage properly”.

1           (4) HOME EQUITY CONVERSION MORTGAGE IN-  
 2           SURANCE.—Paragraph (1) of section 255(d) of the  
 3           National Housing Act (12 U.S.C. 1715z–20(d)(1))  
 4           is amended by striking “as responsible and able to  
 5           service the mortgage properly”.

6           (5) WAR HOUSING MORTGAGE INSURANCE.—  
 7           Paragraph (1) of section 603(b) of the National  
 8           Housing Act (12 U.S.C. 1738(b)(1)) is amended—  
 9                   (A) by striking “, and be held by,”; and  
 10                   (B) by striking “as responsible and able to  
 11           service the mortgage properly”.

12           (6) WAR HOUSING MORTGAGE INSURANCE FOR  
 13           LARGE-SCALE HOUSING PROJECTS.—Paragraph (1)  
 14           of section 611(b) of the National Housing Act (12  
 15           U.S.C. 1746(b)(1)) is amended—  
 16                   (A) by striking “and be held by,”; and  
 17                   (B) by striking “as responsible and able to  
 18           service the mortgage properly”.

19           (7) GROUP PRACTICE FACILITY MORTGAGE IN-  
 20           SURANCE.—Section 1101(b)(2) of the National  
 21           Housing Act (12 U.S.C. 1749aaa(b)(2)) is amend-  
 22           ed—  
 23                   (A) by striking “and held by,”; and  
 24                   (B) by striking “as responsible and able to  
 25           service the mortgage properly”.

1           (8) NATIONAL DEFENSE HOUSING INSUR-  
 2           ANCE.—Paragraph (1) of section 903(b) of the Na-  
 3           tional Housing Act (12 U.S.C. 1750b(b)(1)) is  
 4           amended—

5                     (A) by striking “, and be held by,”; and

6                     (B) by striking “as responsible and able to  
 7           service the mortgage properly”.

8   **SEC. 17. SENSE OF CONGRESS REGARDING TECHNOLOGY**  
 9                     **FOR FINANCIAL SYSTEMS.**

10           (a) CONGRESSIONAL FINDINGS.—The Congress finds  
 11           the following:

12                     (1) The Government Accountability Office has  
 13           cited the FHA single family housing mortgage insur-  
 14           ance program as a “high-risk” program, with a pri-  
 15           mary reason being non-integrated and out-dated fi-  
 16           nancial management systems.

17                     (2) The “Audit of the Federal Housing Admin-  
 18           istration’s Financial Statements for Fiscal Years  
 19           2004 and 2003”, conducted by the Inspector Gen-  
 20           eral of the Department of Housing and Urban De-  
 21           velopment reported as a material weakness that  
 22           “HUD/FHA’s automated data processing [ADP]  
 23           system environment must be enhanced to more effec-  
 24           tively support FHA’s business and budget proc-  
 25           esses”.

1           (3) Existing technology systems for the FHA  
2           program have not been updated to meet the latest  
3           standards of the Mortgage Industry Standards  
4           Maintenance Organization and have numerous defi-  
5           ciencies that lenders have outlined.

6           (4) Improvements to technology used in the  
7           FHA program will—

8                   (A) allow the FHA program to improve the  
9                   management of the FHA portfolio, garner  
10                  greater efficiencies in its operations, and lower  
11                  costs across the program; and

12                  (B) result in efficiencies and lower costs  
13                  for lenders participating in the program, allow-  
14                  ing them to better use the FHA products in ex-  
15                  tending homeownership opportunities to higher  
16                  credit risk or lower-income families, in a sound  
17                  manner.

18           (5) The Mutual Mortgage Insurance Fund op-  
19           erates without cost to the taxpayers and generates  
20           revenues for the Federal Government.

21           (b) SENSE OF CONGRESS.—It is the sense of the  
22 Congress that—

23                   (1) the Secretary of Housing and Urban Devel-  
24                  opment should use a portion of the funds received  
25                  from premiums paid for FHA single family housing

1 mortgage insurance that are in excess of the  
2 amounts paid out in claims to substantially increase  
3 the funding for technology used in such FHA pro-  
4 gram;

5 (2) the goal of this investment should be to  
6 bring the technology used in such FHA program to  
7 the level and sophistication of the technology used in  
8 the conventional mortgage lending market, or to ex-  
9 ceed such level; and

10 (3) the Secretary of Housing and Urban Devel-  
11 opment should report to the Congress not later than  
12 180 days after the date of the enactment of this Act  
13 regarding the progress the Department is making  
14 toward such goal and if progress is not sufficient,  
15 the resources needed to make greater progress.

16 **SEC. 18. SAVINGS PROVISION.**

17 Any mortgage insured under title II of the National  
18 Housing Act before the date of enactment of this Act shall  
19 continue to be governed by the laws, regulations, orders,  
20 and terms and conditions to which it was subject on the  
21 day before the date of the enactment of this Act.

22 **SEC. 19. IMPLEMENTATION.**

23 The Secretary of Housing and Urban Development  
24 shall by notice establish any additional requirements that

1 may be necessary to immediately carry out the provisions  
2 of this Act. The notice shall take effect upon issuance.

○