

111TH CONGRESS
2D SESSION

H. R. 6256

To establish a shared equity homeownership pilot program for FHA mortgage insurance.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2010

Mr. GARY G. MILLER of California introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To establish a shared equity homeownership pilot program for FHA mortgage insurance.

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 “Strengthening FHA
5 Through Shared Equity Homeownership Act of 2010”.

6 **SEC. 2. SHARED EQUITY PILOT PROGRAM.**

7 (a) PURPOSE.—The purpose of this section is to es-
8 tablish a shared equity homeownership pilot program for
9 FHA mortgage insurance to complement FHA mortgage
10 lending activity to analyze the effectiveness of shared eq-

1 uity finance methods that stimulate the flow of private eq-
2 uity capital into the housing sector, while mitigating risk
3 to borrowers and to the Mutual Mortgage Insurance
4 Fund.

5 (b) ESTABLISHMENT.—The Secretary of Housing
6 and Urban Development (in this section referred to as the
7 “Secretary”) shall carry out a pilot program under this
8 section (in this section referred to as the “pilot program”)”
9 to analyze the effectiveness of providing mortgage insur-
10 ance under the FHA mortgage insurance program for
11 mortgages for the acquisition or refinancing of 1- to 4-
12 family residences that are financed in part through a
13 shared equity arrangement under which independent, pri-
14 vate sector investors invest, together with the mortgagors,
15 equity funds for such residences and thereby share in the
16 ownership of such residences.

17 (c) APPLICATION AND SELECTION.—

18 (1) ELIGIBILITY AND APPLICATION.—The Sec-
19 retary shall establish eligibility requirements for fi-
20 nancial institutions, nonprofit organizations, housing
21 associations, investment pools, and other appropriate
22 individuals and entities to participate in the pilot
23 program and shall provide for eligible entities to
24 apply to the Secretary for such participation. Such
25 applications shall include such information as the

1 Secretary considers appropriate regarding the mat-
2 ters referred to in subparagraphs (A) through (D) of
3 paragraph (2).

4 (2) SELECTION.—Not later than 270 days after
5 the date of the enactment of this Act, the Secretary
6 shall select not more than 8 individuals and entities
7 to participate in the pilot program, from among eli-
8 gible individuals and entities applying for such par-
9 ticipation, using criteria established by the Sec-
10 retary, which shall include criteria based on—

11 (A) the methodology to be used for deploy-
12 ing equity sharing capital, which shall ensure
13 that equity sharing capital shall be deployed
14 from private sector sources;

15 (B) a definition of markets to be targeted;

16 (C) legal agreements and disclosures nec-
17 essary to protect mortgagors and all other in-
18 volved parties and to provide for periodic pro-
19 gram monitoring; and

20 (D) the source and level of revenue ex-
21 pected to be derived from participating in the
22 pilot program.

23 (d) PRINCIPAL RESIDENCE.—A residence acquired
24 with a mortgage that is insured by the Secretary under

1 the pilot program shall be occupied by the mortgagor as
2 the primary residence of the mortgagor.

3 (e) DOWNPAYMENT.—The mortgagor under a mort-
4 gage insured by the Secretary under the pilot program
5 shall comply with the requirement under section 203(b)(9)
6 of the National Housing Act (12 U.S.C. 1709(b)(9)) that
7 the mortgagor invest the amount required by the Sec-
8 retary, which shall be not less than 3.5 percent of the ap-
9 praised value of the residence.

10 (f) MINIMUM HOMEBUYER EQUITY.—The mortgagor
11 under the mortgage insured by the Secretary under the
12 pilot program shall retain a percentage of ownership in
13 the residence under the shared equity arrangement that
14 is not less than 60 percent.

15 (g) INSURANCE PREMIUMS.—Notwithstanding sec-
16 tion 203(c)(2)(B) of the National Housing Act (12 U.S.C.
17 1709(c)(2)(B)), the Secretary shall establish and collect
18 annual premium payments on mortgages insured by the
19 Secretary under the pilot program in an amount based on
20 the annual premium charged under such section
21 203(c)(2)(B), as adjusted by the Secretary to account for
22 any reduced risk in insuring such mortgages attributable
23 to the shared equity arrangement.

24 (h) RIGHTS OF MORTGAGOR.—The Secretary shall
25 establish requirements to ensure the mortgagor maintains

1 occupancy rights in the property subject to the mortgage
2 insured under the pilot program. A mortgagor and shared
3 equity investor shall receive transactional documentation
4 that addresses the rights, privileges and responsibilities of
5 both the mortgagor and shared equity investor.

6 (i) SCOPE.—

7 (1) GEOGRAPHIC DIVERSITY.—The Secretary
8 shall carry out the pilot program in multiple regional
9 mortgage markets in the United States.

10 (2) EQUITY SHARING CAPITAL INVESTMENTS.—

11 The Secretary shall, for each eligible entity partici-
12 pating in the pilot program, limit the amount of eq-
13 uity sharing capital invested under the pilot program
14 to \$25,000,000.

15 (3) TIMING.—The Secretary may not insure
16 any mortgage in connection with the pilot program
17 after the expiration of the two-year period beginning
18 on the date of the implementation of the pilot pro-
19 gram under this Act.

20 (j) WAIVER.—The Secretary may waive, or specify al-
21 ternative requirements for, any provision of any statute,
22 regulation, or guideline that the Secretary administers (ex-
23 cept for requirements related to fair housing, non-
24 discrimination, labor standards, and the environment)
25 upon a determination by the Secretary that such waiver

1 is appropriate to carry out the pilot program under this
2 section.

3 (k) MONITORING AND REPORTING.—

4 (1) MONITORING.—The Secretary shall provide
5 for such monitoring of the pilot program, investors
6 participating in the pilot program, and shared equity
7 arrangements entered into under the pilot program
8 as may be necessary to determine the effectiveness
9 of the pilot program and of the structure of, and re-
10 quirements under, the pilot program.

11 (2) REPORTS TO CONGRESS.—Not later than
12 the expiration of the 18-month period beginning on
13 the date of the enactment of this Act, the Comp-
14 troller General of the United States shall submit a
15 report to the Congress analyzing effectiveness of the
16 pilot program and making recommendations regard-
17 ing expansion of the pilot program and improve-
18 ments for the pilot program.

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