

114TH CONGRESS
2D SESSION

S. 3426

To provide nonprofit organizations and local governments with the opportunity to match a bid with respect to the sale of certain non-performing loans by the Government-sponsored enterprises and the Federal Housing Administration, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 28, 2016

Mr. BOOKER (for himself and Mr. MENENDEZ) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To provide nonprofit organizations and local governments with the opportunity to match a bid with respect to the sale of certain non-performing loans by the Government-sponsored enterprises and the Federal Housing Administration, 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.**

4 This Act may be cited as the “Homeowner Fore-
5 closure Reduction Act of 2016”.

1 **SEC. 2. LOANS OWNED BY FANNIE MAE.**

2 Section 302 of the Federal National Mortgage Asso-
 3 ciation Charter Act (12 U.S.C. 1717) is amended by add-
 4 ing at the end the following:

5 “(d) SALE OF NON-PERFORMING LOANS.—

6 “(1) In this subsection—

7 “(A) the term ‘covered pool’ means a pool
 8 of non-performing loans owned under this
 9 title—

10 “(i) that contains not more than 300
 11 loans;

12 “(ii) that is, to the extent practicable,
 13 geographically concentrated; and

14 “(iii) for which the corporation, with
 15 respect to the sale of loans in the pool, en-
 16 courages purchase of the loans by quali-
 17 fying nonprofits and qualifying local gov-
 18 ernments;

19 “(B) the term ‘non-covered pool’ means a
 20 pool of non-performing loans owned under this
 21 title that is not a covered pool;

22 “(C) the term ‘qualifying local government’
 23 means a local government that the corporation
 24 has permitted to bid, after an initial auction, on
 25 a covered pool or a non-covered pool; and

1 “(D) the term ‘qualifying nonprofit’ means
2 a nonprofit organization that the corporation
3 has permitted to bid, after an initial auction, on
4 a covered pool or a non-covered pool.

5 “(2)(A) The corporation, with respect to an
6 auction for the sale of non-performing loans, shall
7 ensure that not fewer than 25 percent of the loans
8 that are offered for sale in the auction are loans in
9 covered pools.

10 “(B) The corporation shall ensure that, after
11 an entity that is not a qualifying nonprofit or a
12 qualifying local government submits the highest bid
13 on a non-covered pool, qualifying nonprofits and
14 qualifying local governments have the opportunity to
15 submit a bid to purchase not more than 5 percent
16 of the loans in the non-covered pool in accordance
17 with the procedures set forth in paragraph (3)(B).

18 “(3)(A) With respect to the sale of a covered
19 pool when a qualifying nonprofit or a qualifying local
20 government is a party bidding on the covered pool,
21 the corporation shall—

22 “(i) notify each bidder that a qualifying
23 nonprofit or a qualifying local government is a
24 bidder on the covered pool;

1 “(ii) if, after receiving bids from each of
2 the bidders on the covered pool, the corporation
3 determines that an entity that is not a quali-
4 fying nonprofit or a qualifying local government
5 submitted the highest overall bid—

6 “(I) disclose to the qualifying non-
7 profit or qualifying local government that
8 submitted the highest bid (among bids sub-
9 mitted by qualifying nonprofits and quali-
10 fying local governments) the amount of the
11 highest overall bid that was submitted;

12 “(II) provide the qualifying nonprofit
13 or qualifying local government that sub-
14 mitted the highest bid with an opportunity
15 to, not later than 2 days after receiving
16 notice from the corporation, submit a bid
17 in an amount greater than the highest
18 overall bid; and

19 “(III) if a qualifying nonprofit or
20 qualifying local government, as applicable,
21 described in subclause (II) chooses not to
22 submit a bid as described in that sub-
23 clause, provide each successive qualifying
24 nonprofit or qualifying local government
25 that submitted the next highest bid with

1 an opportunity to, not later than 2 days
 2 after receiving notice from the corporation
 3 and a disclosure described in subclause (I),
 4 submit a bid in an amount greater than
 5 the highest overall bid; and

6 “(iii) sell the covered pool to a qualifying
 7 nonprofit or a qualifying local government if a
 8 qualifying nonprofit or qualifying local govern-
 9 ment, as applicable, under subclause (II) or
 10 (III) of clause (ii), submits a bid in an amount
 11 greater than the highest overall bid.

12 “(B) With respect to the sale of a non-covered
 13 pool—

14 “(i) not later than 2 days after the date on
 15 which an entity that is not a qualifying non-
 16 profit or a qualifying local government submits
 17 the highest overall bid on the non-covered
 18 pool—

19 “(I) the corporation shall disclose to
 20 qualifying nonprofits and qualifying local
 21 governments the amount of the highest
 22 overall bid submitted on the non-covered
 23 pool, including the amount of the bid for
 24 each individual loan in the non-covered
 25 pool; and

1 “(II) a qualifying nonprofit or a quali-
2 fying local government may submit to the
3 corporation a bid to purchase not more
4 than 5 percent of the loans in the non-cov-
5 ered pool;

6 “(ii) except as provided in subparagraph
7 (C), the corporation shall sell a loan described
8 in clause (i)(II) to a qualifying nonprofit or
9 qualifying local government, as applicable, if,
10 with respect to that loan, the bid of the quali-
11 fying nonprofit or qualifying local government
12 is equal to or more than the bid of the entity
13 that submitted the highest overall bid for the
14 non-covered pool; and

15 “(iii) the total number of loans sold under
16 clause (ii) may not exceed 10 percent of the
17 number of loans in the non-covered pool.

18 “(C)(i) The corporation shall determine which
19 loans in a non-covered pool shall be sold to a quali-
20 fying nonprofit or a qualifying local government if
21 the aggregate number of loans sold under subpara-
22 graph (B)(ii) to qualifying nonprofits and qualifying
23 local governments would violate subparagraph
24 (B)(iii).

1 “(ii) If, under subparagraph (B)(i)(II), more
2 than 1 qualifying nonprofit or qualifying local gov-
3 ernment submits a bid for a loan that is equal to or
4 higher than the bid submitted by the entity that had
5 submitted the highest overall bid, the corporation
6 shall sell the loan to the qualifying nonprofit or
7 qualifying local government that submitted the high-
8 est bid.

9 “(4) Before submitting a bid with respect to a
10 covered pool or a non-covered pool, a nonprofit orga-
11 nization or local government, in order to be consid-
12 ered a qualifying nonprofit or qualifying local gov-
13 ernment, as applicable, shall submit to the corpora-
14 tion an application containing such information as
15 the corporation determines appropriate.

16 “(5) Any entity that purchases a covered pool
17 under this subsection—

18 “(A) may not foreclose on any of the occu-
19 pied properties that secure loans in the pool
20 during the 12-month period following the pur-
21 chase; and

22 “(B) shall ensure that, not later than 4
23 years after the settlement date, not less than 50
24 percent of the loans in the pool result in—

25 “(i) a modified loan that—

1 “(I) has a loan-to-value ratio
2 after the modification of the loan that
3 is not greater than 115 percent;

4 “(II) performs over a period of
5 not less than 6 months;

6 “(III) does not include an up-
7 front fee or require prepayment of any
8 amount of the mortgage debt; and

9 “(IV)(aa) is fixed rate for the en-
10 tire period in which the loan being
11 modified is in effect; or

12 “(bb) offers an initial period in
13 which the interest rate is reduced and
14 an increase in the interest rate is lim-
15 ited to not more than 1 percent per
16 year after an initial 5-year period in
17 which the interest rate is fixed, with a
18 maximum interest rate not exceeding
19 the prevailing market rate for loans;

20 “(ii) a short sale of the property that
21 secures the loan to an owner-occupant;

22 “(iii) with respect to a qualifying non-
23 profit or a qualifying local government that
24 purchases a covered pool under paragraph
25 (3)(A)(iii), holding the property that se-

1 cures the loan for rental for a period of not
 2 less than 3 years, where such rental is af-
 3 fordable to a household with an annual in-
 4 come at or below the area median income;

5 “(iv) with the approval of the corpora-
 6 tion, gifting the property that secures the
 7 loan to a land bank, a nonprofit organiza-
 8 tion, or a State or local government, with
 9 additional funds provided for demolition
 10 and maintenance; or

11 “(v) with the approval of the corpora-
 12 tion, sale of the loan or the property that
 13 secures the loan to a nonprofit organiza-
 14 tion.

15 “(6) A qualifying nonprofit or a qualifying local
 16 government that purchases a covered pool under
 17 paragraph (3)(A)(iii) shall ensure that not less than
 18 60 percent of the loans in the pool result in not less
 19 than one of the outcomes described in clauses (i)
 20 through (v) of paragraph (5)(B).

21 “(7)(A) Any entity that purchases a covered
 22 pool under this subsection that contains a loan for
 23 which the property securing the loan is vacant shall
 24 ensure that the servicer of the loan—

1 “(i) does not release the lien on the prop-
2 erty; and

3 “(ii) maintains the property in accordance
4 with generally acceptable maintenance stand-
5 ards.

6 “(B) If the servicer of a loan described in sub-
7 paragraph (A) does not comply with the require-
8 ments of that subparagraph, the entity that pur-
9 chased the covered pool shall sell or donate the loan
10 to another entity, including a government or non-
11 profit entity.

12 “(8) Nothing in this subsection shall be con-
13 strued to prevent the corporation from ensuring that
14 a qualifying nonprofit or a qualifying local govern-
15 ment has the opportunity to be the last bidder on a
16 covered pool or a non-covered pool under procedures
17 other than those described in this section.

18 “(9) In addition to the requirements under this
19 subsection—

20 “(A) any entity that purchases a non-cov-
21 ered pool shall meet all of the requirements of
22 the corporation in effect on the day before the
23 date of enactment of this subsection; and

24 “(B) the corporation may impose any other
25 requirements with respect to the purchase of a

1 covered pool or a non-covered pool that the cor-
 2 poration determines are appropriate.”.

3 **SEC. 3. LOANS OWNED BY FREDDIE MAC.**

4 Section 305 of the Federal Home Loan Mortgage
 5 Corporation Act (12 U.S.C. 1454) is amended by adding
 6 at the end the following:

7 “(d) SALE OF NON-PERFORMING LOANS.—

8 “(1) In this subsection—

9 “(A) the term ‘covered pool’ means a pool
 10 of non-performing loans owned under this
 11 title—

12 “(i) that contains not more than 300
 13 loans;

14 “(ii) that is, to the extent practicable,
 15 geographically concentrated; and

16 “(iii) for which the corporation, with
 17 respect to the sale of loans in the pool, en-
 18 courages purchase of the loans by quali-
 19 fying nonprofits and qualifying local gov-
 20 ernments;

21 “(B) the term ‘non-covered pool’ means a
 22 pool of non-performing loans owned under this
 23 title that is not a covered pool;

24 “(C) the term ‘qualifying local government’
 25 means a local government that the corporation

1 has permitted to bid, after an initial auction, on
2 a covered pool or a non-covered pool; and

3 “(D) the term ‘qualifying nonprofit’ means
4 a nonprofit organization that the corporation
5 has permitted to bid, after an initial auction, on
6 a covered pool or a non-covered pool.

7 “(2)(A) The corporation, with respect to an
8 auction for the sale of non-performing loans, shall
9 ensure that not fewer than 25 percent of the loans
10 that are offered for sale in the auction are loans in
11 covered pools.

12 “(B) The corporation shall ensure that, after
13 an entity that is not a qualifying nonprofit or a
14 qualifying local government submits the highest bid
15 on a non-covered pool, qualifying nonprofits and
16 qualifying local governments have the opportunity to
17 submit a bid to purchase not more than 5 percent
18 of the loans in the non-covered pool in accordance
19 with the procedures set forth in paragraph (3)(B).

20 “(3)(A) With respect to the sale of a covered
21 pool when a qualifying nonprofit or a qualifying local
22 government is a party bidding on the covered pool,
23 the corporation shall—

1 “(i) notify each bidder that a qualifying
2 nonprofit or a qualifying local government is a
3 bidder on the covered pool;

4 “(ii) if, after receiving bids from each of
5 the bidders on the covered pool, the corporation
6 determines that an entity that is not a quali-
7 fying nonprofit or a qualifying local government
8 submitted the highest overall bid—

9 “(I) disclose to the qualifying non-
10 profit or qualifying local government that
11 submitted the highest bid (among bids sub-
12 mitted by qualifying nonprofits and quali-
13 fying local governments) the amount of the
14 highest overall bid that was submitted;

15 “(II) provide the qualifying nonprofit
16 or qualifying local government that sub-
17 mitted the highest bid with an opportunity
18 to, not later than 2 days after receiving
19 notice from the corporation, submit a bid
20 in an amount greater than the highest
21 overall bid; and

22 “(III) if a qualifying nonprofit or
23 qualifying local government, as applicable,
24 described in subclause (II) chooses not to
25 submit a bid as described in that sub-

1 clause, provide each successive qualifying
2 nonprofit or qualifying local government
3 that submitted the next highest bid with
4 an opportunity to, not later than 2 days
5 after receiving notice from the corporation
6 and a disclosure described in subclause (I),
7 submit a bid in an amount greater than
8 the highest overall bid; and

9 “(iii) sell the covered pool to a qualifying
10 nonprofit or a qualifying local government if a
11 qualifying nonprofit or qualifying local govern-
12 ment, as applicable, under subclause (II) or
13 (III) of clause (ii), submits a bid in an amount
14 greater than the highest overall bid.

15 “(B) With respect to the sale of a non-covered
16 pool—

17 “(i) not later than 2 days after the date on
18 which an entity that is not a qualifying non-
19 profit or a qualifying local government submits
20 the highest overall bid on the non-covered
21 pool—

22 “(I) the corporation shall disclose to
23 qualifying nonprofits and qualifying local
24 governments the amount of the highest
25 overall bid submitted on the non-covered

1 pool, including the amount of the bid for
2 each individual loan in the non-covered
3 pool; and

4 “(II) a qualifying nonprofit or a quali-
5 fying local government may submit to the
6 corporation a bid to purchase not more
7 than 5 percent of the loans in the non-cov-
8 ered pool;

9 “(ii) except as provided in subparagraph
10 (C), the corporation shall sell a loan described
11 in clause (i)(II) to a qualifying nonprofit or
12 qualifying local government, as applicable, if,
13 with respect to that loan, the bid of the quali-
14 fying nonprofit or qualifying local government
15 is equal to or more than the bid of the entity
16 that submitted the highest overall bid for the
17 non-covered pool; and

18 “(iii) the total number of loans sold under
19 clause (ii) may not exceed 10 percent of the
20 number of loans in the non-covered pool.

21 “(C)(i) The corporation shall determine which
22 loans in a non-covered pool shall be sold to a quali-
23 fying nonprofit or a qualifying local government if
24 the aggregate number of loans sold under subpara-
25 graph (B)(ii) to qualifying nonprofits and qualifying

1 local governments would violate subparagraph
2 (B)(iii).

3 “(ii) If, under subparagraph (B)(i)(II), more
4 than 1 qualifying nonprofit or qualifying local gov-
5 ernment submits a bid for a loan that is equal to or
6 higher than the bid submitted by the entity that had
7 submitted the highest overall bid, the corporation
8 shall sell the loan to the qualifying nonprofit or
9 qualifying local government that submitted the high-
10 est bid.

11 “(4) Before submitting a bid with respect to a
12 covered pool or a non-covered pool, a nonprofit orga-
13 nization or local government, in order to be consid-
14 ered a qualifying nonprofit or qualifying local gov-
15 ernment, as applicable, shall submit to the corpora-
16 tion an application containing such information as
17 the corporation determines appropriate.

18 “(5) Any entity that purchases a covered pool
19 under this subsection—

20 “(A) may not foreclose on any of the occu-
21 pied properties that secure loans in the pool
22 during the 12-month period following the pur-
23 chase; and

“(B) shall ensure that, not later than 4 years after the settlement date, not less than 50 percent of the loans in the pool result in—

“(i) a modified loan that—

“(I) has a loan-to-value ratio after the modification of the loan that is not greater than 115 percent;

“(II) performs over a period of not less than 6 months;

“(III) does not include an upfront fee or require prepayment of any amount of the mortgage debt; and

“(IV)(aa) is fixed rate for the entire period in which the loan being modified is in effect; or

“(bb) offers an initial period in which the interest rate is reduced and an increase in the interest rate is limited to not more than 1 percent per year after an initial 5-year period in which the interest rate is fixed, with a maximum interest rate not exceeding the prevailing market rate for loans;

“(ii) a short sale of the property that secures the loan to an owner-occupant;

1 “(iii) with respect to a qualifying non-
 2 profit or a qualifying local government that
 3 purchases a covered pool under paragraph
 4 (3)(A)(iii), holding the property that se-
 5 cures the loan for rental for a period of not
 6 less than 3 years, where such rental is af-
 7 fordable to a household with an annual in-
 8 come at or below the area median income;

9 “(iv) with the approval of the corpora-
 10 tion, gifting the property that secures the
 11 loan to a land bank, a nonprofit organiza-
 12 tion, or a State or local government, with
 13 additional funds provided for demolition
 14 and maintenance; or

15 “(v) with the approval of the corpora-
 16 tion, sale of the loan or the property that
 17 secures the loan to a nonprofit organiza-
 18 tion.

19 “(6) A qualifying nonprofit or a qualifying local
 20 government that purchases a covered pool under
 21 paragraph (3)(A)(iii) shall ensure that not less than
 22 60 percent of the loans in the pool result in not less
 23 than one of the outcomes described in clauses (i)
 24 through (v) of paragraph (5)(B).

1 “(7)(A) Any entity that purchases a covered
2 pool under this subsection that contains a loan for
3 which the property securing the loan is vacant shall
4 ensure that the servicer of the loan—

5 “(i) does not release the lien on the prop-
6 erty; and

7 “(ii) maintains the property in accordance
8 with generally acceptable maintenance stand-
9 ards.

10 “(B) If the servicer of a loan described in sub-
11 paragraph (A) does not comply with the require-
12 ments of that subparagraph, the entity that pur-
13 chased the covered pool shall sell or donate the loan
14 to another entity, including a government or non-
15 profit entity.

16 “(8) Nothing in this subsection shall be con-
17 strued to prevent the corporation from ensuring that
18 a qualifying nonprofit or a qualifying local govern-
19 ment has the opportunity to be the last bidder on a
20 covered pool or a non-covered pool under procedures
21 other than those described in this section.

22 “(9) In addition to the requirements under this
23 subsection—

24 “(A) any entity that purchases a non-cov-
25 ered pool shall meet all of the requirements of

1 the corporation in effect on the day before the
 2 date of enactment of this subsection; and

3 “(B) the corporation may impose any other
 4 requirements with respect to the purchase of a
 5 covered pool or a non-covered pool that the cor-
 6 poration determines are appropriate.”.

7 **SEC. 4. LOANS INSURED BY THE FHA.**

8 Title II of the National Housing Act (12 U.S.C. 1707
 9 et seq.) is amended by adding at the end the following:

10 **“SEC. 259. SALE OF NON-PERFORMING MORTGAGES.**

11 “(a) DEFINITIONS.—In this section—

12 “(1) the term ‘covered pool’ means a pool of
 13 non-performing mortgages insured under this title—

14 “(A) that contains not more than 300
 15 mortgages;

16 “(B) that is, to the extent practicable, geo-
 17 graphically concentrated; and

18 “(C) for which the Secretary, with respect
 19 to the sale of mortgages in the pool, encourages
 20 purchase of the mortgages by qualifying non-
 21 profits and qualifying local governments;

22 “(2) the term ‘non-covered pool’ means a pool
 23 of non-performing mortgages insured under this title
 24 that is not a covered pool;

1 “(3) the term ‘qualifying local government’
 2 means a local government that the Secretary has
 3 permitted to bid, after an initial auction, on a cov-
 4 ered pool or a non-covered pool; and

5 “(4) the term ‘qualifying nonprofit’ means a
 6 nonprofit organization that the Secretary has per-
 7 mitted to bid, after an initial auction, on a covered
 8 pool or a non-covered pool.

9 “(b) REQUIREMENTS.—

10 “(1) COVERED POOLS.—The Secretary, with re-
 11 spect to an auction for the sale of non-performing
 12 mortgages, shall ensure that not fewer than 50 per-
 13 cent of the mortgages that are offered for sale in the
 14 auction are mortgages in covered pools.

15 “(2) NON-COVERED POOLS.—The Secretary
 16 shall ensure that, after an entity that is not a quali-
 17 fying nonprofit or a qualifying local government sub-
 18 mits the highest bid on a non-covered pool, quali-
 19 fying nonprofits and qualifying local governments
 20 have the opportunity to submit a bid to purchase not
 21 more than 5 percent of the mortgages in the non-
 22 covered pool in accordance with the procedures set
 23 forth in subsection (c)(2).

24 “(c) PROCEDURES FOR SALE OF COVERED AND NON-
 25 COVERED POOLS.—

1 “(1) COVERED POOLS.—With respect to the
2 sale of a covered pool when a qualifying nonprofit or
3 a qualifying local government is a party bidding on
4 the covered pool, the Secretary shall—

5 “(A) notify each bidder that a qualified
6 nonprofit or a qualifying local government is a
7 bidder on the covered pool;

8 “(B) if, after receiving bids from each of
9 the bidders on the covered pool, the Secretary
10 determines that an entity that is not a quali-
11 fying nonprofit or a qualifying local government
12 submitted the highest overall bid—

13 “(i) disclose to the qualifying non-
14 profit or qualifying local government that
15 submitted the highest bid (among bids sub-
16 mitted by qualifying nonprofits and quali-
17 fying local governments) the amount of the
18 highest overall bid that was submitted;

19 “(ii) provide the qualifying nonprofit
20 or qualifying local government that sub-
21 mitted the highest bid with an opportunity
22 to, not later than 2 days after receiving
23 notice from the Secretary, submit a bid in
24 an amount greater than the highest overall
25 bid; and

“(iii) if a qualifying nonprofit or qualifying local government, as applicable, described in clause (ii) chooses not to submit a bid as described in that clause, provide each successive qualifying nonprofit or qualifying local government that submitted the next highest bid with an opportunity to, not later than 2 days after receiving notice from the Secretary and a disclosure described in clause (i), submit a bid in an amount greater than the highest overall bid; and

“(C) sell the covered pool to a qualifying nonprofit or a qualifying local government if a qualifying nonprofit or qualifying local government, as applicable, under clause (ii) or (iii) of subparagraph (B), submits a bid in an amount greater than the highest overall bid.

“(2) NON-COVERED POOLS.—

“(A) IN GENERAL.—With respect to the sale of a non-covered pool—

“(i) not later than 2 days after the date on which an entity that is not a qualifying nonprofit or a qualifying local gov-

ernment submits the highest overall bid on
the non-covered pool—

“(I) the Secretary shall disclose
to qualifying nonprofits and qualifying
local governments the amount of the
highest overall bid submitted on the
non-covered pool, including the
amount of the bid for each individual
mortgage in the non-covered pool; and

“(II) a qualifying nonprofit or a
qualifying local government may sub-
mit to the Secretary a bid to purchase
not more than 5 percent of the mort-
gages in the non-covered pool;

“(ii) except as provided in subpara-
graphs (B) and (C), the Secretary shall
sell a mortgage described in clause (i)(II)
to a qualifying nonprofit or qualifying local
government, as applicable, if, with respect
to that mortgage, the bid of the qualifying
nonprofit or qualifying local government is
equal to or more than the bid of the entity
that submitted the highest overall bid for
the non-covered pool; and

1 “(iii) the total number of mortgages
2 sold under clause (ii) may not exceed 10
3 percent of the number of mortgages in the
4 non-covered pool.

5 “(B) SELECTION BY THE SECRETARY.—
6 The Secretary shall determine which mortgages
7 in a non-covered pool shall be sold to a quali-
8 fying nonprofit or a qualifying local government
9 if the aggregate number of mortgages sold
10 under subparagraph (A)(ii) to qualifying non-
11 profits and qualifying local governments would
12 violate subparagraph (A)(iii).

13 “(C) MULTIPLE HIGH BIDS.—If, under
14 subparagraph (A)(i)(II), more than 1 qualifying
15 nonprofit or qualifying local government sub-
16 mits a bid for a mortgage that is equal to or
17 higher than the bid submitted by the entity that
18 had submitted the highest overall bid, the Sec-
19 retary shall sell the mortgage to the qualifying
20 nonprofit or qualifying local government that
21 submitted the highest bid.

22 “(d) APPLICATION.—Before submitting a bid with re-
23 spect to a covered pool or a non-covered pool, a nonprofit
24 organization or local government, in order to be considered
25 a qualifying nonprofit or qualifying local government, as

1 applicable, shall submit to the Secretary an application
 2 containing such information as the Secretary determines
 3 appropriate.

4 “(e) ADDITIONAL REQUIREMENTS FOR COVERED
 5 POOLS.—

6 “(1) IN GENERAL.—Any entity that purchases
 7 a covered pool under this section—

8 “(A) may not foreclose on any of the occu-
 9 pied properties that secure mortgages in the
 10 pool during the 12-month period following the
 11 purchase; and

12 “(B) shall ensure that, not later than 4
 13 years after the settlement date, not less than 50
 14 percent of the mortgages in the pool result in—

15 “(i) a modified mortgage that—

16 “(I) has a loan-to-value ratio
 17 after the modification of the mortgage
 18 that is not greater than 115 percent;

19 “(II) performs over a period of
 20 not less than 6 months;

21 “(III) does not include an up-
 22 front fee or require prepayment of any
 23 amount of the mortgage debt; and

1 “(IV)(aa) is fixed rate for the en-
2 tire period in which the mortgage
3 being modified is in effect; or

4 “(bb) offers an initial period in
5 which the interest rate is reduced and
6 an increase in the interest rate is lim-
7 ited to not more than 1 percent per
8 year after an initial 5-year period in
9 which the interest rate is fixed, with a
10 maximum interest rate not exceeding
11 the prevailing market rate for mort-
12 gages;

13 “(ii) a short sale of the property that
14 secures the mortgage to an owner-occu-
15 pant;

16 “(iii) with respect to a qualifying non-
17 profit or a qualifying local government that
18 purchases a covered pool under subsection
19 (c)(1)(C), holding the property that se-
20 cures the mortgage for rental for a period
21 of not less than 3 years, where such rental
22 is affordable to a household with an annual
23 income at or below the area median in-
24 come;

1 “(iv) with the approval of the Sec-
 2 retary, gifting the property that secures
 3 the mortgage to a land bank, a nonprofit
 4 organization, or a State or local govern-
 5 ment, with additional funds provided for
 6 demolition and maintenance; and

7 “(v) with the approval of the Sec-
 8 retary, sale of the mortgage or the prop-
 9 erty that secures the mortgage to a non-
 10 profit organization.

11 “(2) QUALIFYING NONPROFITS AND LOCAL
 12 GOVERNMENTS.—A qualifying nonprofit or a quali-
 13 fying local government that purchases a covered pool
 14 under subsection (c)(1)(C) shall ensure that not less
 15 than 60 percent of the mortgages in the pool result
 16 in not less than one of the outcomes described in
 17 clauses (i) through (v) of paragraph (1)(B).

18 “(3) VACANT PROPERTIES.—

19 “(A) IN GENERAL.—Any entity that pur-
 20 chases a covered pool under this section that
 21 contains a mortgage for which the property se-
 22 curing the mortgage is vacant shall ensure that
 23 the servicer of the mortgage—

24 “(i) does not release the lien on the
 25 property; and

1 “(ii) maintains the property in accord-
2 ance with generally acceptable maintenance
3 standards.

4 “(B) SALE OF MORTGAGE.—If the servicer
5 of a mortgage described in subparagraph (A)
6 does not comply with the requirements of that
7 subparagraph, the entity that purchased the
8 covered pool shall sell or donate the mortgage
9 to another entity, including a government or
10 nonprofit entity.

11 “(f) RULE OF CONSTRUCTION.—Nothing in this sec-
12 tion shall be construed to prevent the Secretary from en-
13 suring that a qualifying nonprofit or a qualifying local
14 government has the opportunity to be the last bidder on
15 a covered pool or a non-covered pool under procedures
16 other than those described in this section.

17 “(g) ADDITIONAL REQUIREMENTS.—In addition to
18 the requirements under this section—

19 “(1) any entity that purchases a non-covered
20 pool shall meet all of the requirements of the Sec-
21 retary in effect on the day before the date of enact-
22 ment of this section; and

23 “(2) the Secretary may impose any other re-
24 quirements with respect to the purchase of a covered

- 1 pool or a non-covered pool that the Secretary deter-
- 2 mines are appropriate.”.

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