

full funding of deposit insurance and thus would have pay-as-you-go implications. Spending by the federal banking regulators to monitor and enforce the provisions of the bill is estimated to be small, however, and in most cases would be offset by fees charged to the depository institutions, resulting in no significant net cost to the federal government. Eliminating the Thrift Depositor Protection Oversight Board would reduce direct spending, but these savings would also be insignificant.

Intergovernmental and private-sector impact: S. 318 would impose both private-sector and intergovernmental mandates as defined in UMRA. The bill contains mandates on mortgage lenders, loan servicers, purchasers of mortgage loans, and private mortgage insurance (PMI) companies in the mortgage industry. Provisions in the bill would be enforced by private law suits. CBO estimates that the annual direct costs of complying with mandates identified in this bill are not likely to exceed the statutory thresholds for private-sector or intergovernmental mandates. Inasmuch as state and local governments finance mortgage loans and service and insure some of the loans extended, they would bear some of the costs of complying with these mandates. CBO estimates that at least 95 percent of all identified costs would fall on the private sector, less than 5 percent of the costs would be borne by state and local governments.

Private mortgage insurance protects lenders—or the ultimate purchaser of a mortgage loan, such as Fannie Mae or Freddie Mac—against financial loss if a borrower defaults on a mortgage loan. Industry data show that the lower the down payment, as a percentage of the property value, the greater is the risk that the loan will default. Mortgage insurance is generally used when a borrower makes a down payment of less than 20 percent of the value of the home—that is, when the mortgage has a loan-to-value (LTV) ratio greater than 80 percent. In 1996, the eight PMI companies backed nearly one million residential mortgage loans and a total of \$127 billion in loans were covered by PMI.

#### *Mandates*

S. 318 would allow borrowers to request cancellation of a PMI policy after paying off 20 percent of the property's original value. To be eligible for policy cancellation at 20 percent equity, the bill would require that a borrower (1) make a written request for cancellation; (2) be current on mortgage payments; (3) certify that he or she holds no second mortgages on the property; and (4) demonstrate that the property's value has not depreciated below its value at closing. S. 318 would require that private mortgage insurance be canceled once a borrower has reached 22 percent equity unless the insurance covers a "high-risk" loan. Borrowers with loans deemed to be high risk according to guidelines to be developed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation would not qualify for early cancellation. Such borrowers, however, would have their insurance terminated at the half-life of the loan. Upon termination of PMI insurance, the bill would require that servicers (and PMI companies) refund to the borrower any premiums already paid for the period beyond the termination date.

Beginning one year after enactment, S. 318 would require lenders and servicers to provide written disclosures about insurance cancellation rights to borrowers who are required by creditors to obtain private mortgage insurance as a condition for entering into a residential mortgage agreement. S. 318 would require that the lender notify the borrower in writing at or before closing of his

cancellation rights under PMI and give the borrower an amortization schedule. The amortization schedule would be used to determine a termination date at which the borrower would no longer be required to pay insurance premiums. The bill also would require, before closing, mandatory disclosures to purchasers of lender-paid mortgage insurance indicating that lender-paid mortgage insurance may not be canceled. After the initial disclosure at loan origination, loan servicers would be required to notify borrowers with "borrower-paid" PMI (including existing loans with PMI) of their cancellation rights in an annual written statement.

#### *Estimated Costs of Mandates*

In the first year after enactment, the total costs of the mandates would consist of the costs to lenders and servicers of modifying systems to accommodate the transmittal and storage of additional data. Lenders and servicers would also have to modify software programs to provide the required additional disclosures to borrowers and to develop the procedures to trigger automatic termination of PMI insurance for eligible borrowers. In total, the initial "set-up" costs should be somewhat below \$100 million dollars. After an initial set-up period of about one year, costs would likely drop. The bulk of costs in the second year would cover disclosure at or before settlement to roughly one million borrowers required to purchase PMI insurance and annual disclosure to about five million borrowers who already have borrower-paid PMI insurance.

CBO estimates that costs to the mortgage industry would gradually start to rise again in a few years as the cost to servicers of terminating PMI policies, and the loss of premium income to PMI companies start to accumulate. Most loans to which automatic termination would apply would not reach an LTV ratio of 78 percent to qualify for termination until well after the five-year period of analysis required by UMRA.

#### *Estimated impact on State, local and tribal governments*

Because state and local governments participate in mortgage financing, they would bear some of the compliance costs of S. 318. CBO estimates that the state and local share of such costs would total less than \$5 million a year. All 50 states and some local governments finance mortgages (primarily with mortgage revenue bonds), 21 states service at least a portion of their own mortgage portfolio, and seven states insure mortgages. (The definition of private mortgage insurance used in this bill includes insurance provided by state governments. Only insurance provided by the federal government is excluded.) Based on data from the National Council of State Housing Agencies and Standard and Poors, CBO estimates that state and local governments are involved in less than 5 percent of mortgages that have private mortgage insurance. Their share of the costs would thus be relatively small.

S. 318 would also impose an additional mandate on state governments by preempting certain state laws pertaining to the termination or cancellation of private mortgage insurance or the disclosure of certain information addressed by the bill. Based on discussions with mortgage industry officials and a review of certain state mortgage insurance laws, CBO estimates that this mandate would impose no significant costs on state governments nor would it result in the loss of any revenue.

Previous CBO estimates: On April 7, 1997, CBO provided an estimate for H.R. 607, the Homeowners Insurance Protection Act, as ordered reported by the House Committee on Banking and Financial Services on March 20, 1997. While both H.R. 607 and S. 318 would re-

quire that borrowers be notified of their rights to cancel mortgage insurance, these bills differ in their requirements for automatic cancellation of mortgage insurance. H.R. 607 would require automatic cancellation of mortgage insurance when the mortgage has an LTV of 75 percent (or less) while S. 318 would require automatic cancellation of mortgage insurance when the mortgage has an LTV of 78 percent (or less).

On September 17, 1997, CBO provided an estimate for H.R. 2343, a bill to terminate the Thrift Depositor Protection Oversight Board, as ordered reported by the House Committee on Banking and Financial Services on September 9, 1997. S. 318 would also eliminate the Oversight Board and would transfer its remaining responsibilities to the Department of the Treasury.

Estimate prepared by: Federal Costs: Susanne S. Mehlman, for private mortgage insurance. Mary Maginniss, for federal deposit insurance. Impact on State, Local, and Tribal Governments: Marc Nicole. Impact on the Private Sector: Patrice Gordon.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.●

#### VETERANS' COMPENSATION COST-OF-LIVING ADJUSTMENT ACT OF 1997

Mr. NICKLES. Madam President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 245, H.R. 2367.

The PRESIDING OFFICER (Ms. COLLINS). The clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 2367) to amend title 38, United States Code, to provide a cost-of-living adjustment in the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of such veterans.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. NICKLES. Madam President, I ask unanimous consent that the bill be considered read a third time and passed, the motion to reconsider be laid upon the table, and any statements relating to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (H.R. 2367) was read a third time, and passed.

#### NATIVE AMERICAN VETERAN HOUSING LOAN PROGRAM ACT

Mr. NICKLES. Madam President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 236, Senate bill 714.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 714) to make permanent the Native American Veteran Housing Loan Pilot Program of the Department of Veterans' Affairs.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Veterans' Affairs, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

**SECTION 1. EXTENSION AND IMPROVEMENT OF NATIVE AMERICAN VETERAN HOUSING LOAN PROGRAM.**

(a) **EXTENSION.**—Section 3761(c) of title 38, United States Code, is amended by striking out "September 30, 1997" and inserting in lieu thereof "December 31, 2003".

(b) **OUTREACH.**—Section 3762(i) of such title is amended—

(1) by inserting "(1)" after "(i)";

(2) in paragraph (1), as so designated—

(A) by inserting "in consultation with tribal organizations (including the National Congress of American Indians and the National American Indian Housing Council)," after "The Secretary shall"; and

(B) by striking out "tribal organizations and"; and

(3) by adding at the end the following:

"(2) Activities under the outreach program shall include the following:

"(A) Attending conferences and conventions conducted by the National Congress of American Indians in order to work with the National Congress in providing information and training to tribal organizations and Native American veterans regarding the availability of housing benefits under the pilot program and in assisting such organizations and veterans in participating in the pilot program.

"(B) Attending conferences and conventions conducted by the National American Indian Housing Council in order to work with the Housing Council in providing information and training to tribal organizations and tribal housing entities regarding the availability of such benefits.

"(C) Attending conferences and conventions conducted by the Department of Hawaiian Homelands in order to work with the Department of Hawaiian Homelands in providing information and training to tribal housing entities in Hawaii regarding the availability of such benefits.

"(D) Producing and disseminating information to tribal governments, tribal veterans service organizations, and tribal organizations regarding the availability of such benefits.

"(E) Assisting tribal organizations and Native American veterans in participating in the pilot program."

(c) **ANNUAL REPORTS.**—Section 3762 of such title is further amended by adding at the end the following:

"(j) Not later than February 1 of each of 1998 through 2003, the Secretary shall transmit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report relating to—

"(1) the implementation of the pilot program under this subchapter during the fiscal year preceding the date of the report;

"(2) the Secretary's exercise during such fiscal year of the authority provided under subsection (c)(1)(B) to make loans exceeding the maximum loan amount;

"(3) the appraisals performed for the Secretary during such fiscal year under the authority of subsection (d)(2), including a description of—

"(A) the manner in which such appraisals were performed;

"(B) the qualifications of the appraisers who performed such appraisals; and

"(C) the actions taken by the Secretary with respect to such appraisals to protect the interests of veterans and the United States;

"(4) the outreach activities undertaken under subsection (i) during such fiscal year, including—

"(A) a description of such activities on a region-by-region basis; and

"(B) an assessment of the effectiveness of such activities in encouraging the participation of Native American veterans in the pilot program;

"(5) the pool of Native American veterans who are eligible for participation in the pilot program, including—

"(A) a description and analysis of the pool; and

"(B) a description and assessment of the impediments, if any, to full participation in the pilot program of the Native American veterans in the pool; and

"(6) the Secretary's recommendations, if any, for additional legislation regarding the pilot program."

**SEC. 2. EXTENSION OF AUTHORITIES RELATING TO HOMELESS VETERANS.**

(a) **DRUG AND ALCOHOL ABUSE AND DEPENDENCE.**—Section 1720A(e) of title 38, United States Code, is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

(b) **AGREEMENTS FOR HOUSING ASSISTANCE FOR HOMELESS VETERANS.**—Section 3735(c) of such title is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

(c) **AUTHORITY FOR COMMUNITY-BASED RESIDENTIAL CARE FOR HOMELESS CHRONICALLY MENTALLY ILL VETERANS AND OTHER VETERANS.**—Section 115(d) of the Veterans' Benefits and Services Act of 1988 (38 U.S.C. 1712 note) is amended by striking out "December 31, 1998" and inserting in lieu thereof "December 31, 1999".

(d) **DEMONSTRATION PROGRAM OF COMPENSATED WORK THERAPY.**—Section 7(a) of Public Law 102-54 (38 U.S.C. 1718 note) is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

(e) **SERVICES AND ASSISTANCE TO HOMELESS VETERANS.**—The Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note) is amended—

(1) in section 2(a), by striking out "September 30, 1997" and inserting in lieu thereof "September 30, 1999";

(2) in section 3(a)(2), by striking out "September 30, 1997" and inserting in lieu thereof "September 30, 1999"; and

(3) in section 12, by striking out "through 1997" and inserting in lieu thereof "through 1999".

(f) **HOMELESS VETERANS' REINTEGRATION PROJECTS.**—(1) Section 738(e)(1) of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11448(e)(1)) is amended by adding at the end the following:

"(G) \$10,000,000 for fiscal year 1999."

(2) Section 741 of such Act (42 U.S.C. 11450) is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

**SEC. 3. EXTENSION AND EXPANSION OF ENHANCED-USE LEASE AUTHORITY.**

(a) **EXPANSION.**—Section 8168(a) of title 38, United States Code, is amended by striking out "20" and inserting in lieu thereof "40".

(b) **EXTENSION.**—Section 8169 of such title is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

**SEC. 4. EXTENSION OF CERTAIN OTHER AUTHORITIES OF THE SECRETARY OF VETERANS AFFAIRS.**

(a) **PILOT PROGRAM FOR NONINSTITUTIONAL ALTERNATIVES TO NURSING HOME CARE.**—Section 1720C(a) of title 38, United States Code, is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

(b) **HEALTH PROFESSIONAL SCHOLARSHIP PROGRAM.**—Section 7618 of such title is amended by striking out "December 31, 1997" and inserting in lieu thereof "December 31, 1999".

Mr. NICKLES. Madam President, I ask unanimous consent that the committee amendment be agreed to, the bill be considered a third time, and passed, the motion to reconsider be laid upon the table, the title amendment be agreed to, and any statements relating to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read:

A bill to extend and improve the Native American Veteran Housing Loan Pilot Program of the Department of Veterans Affairs, to extend certain authorities of the Secretary of Veterans Affairs relating to services for homeless veterans, to extend certain other authorities of the Secretary, and for other purposes.

**AMENDING THE ACT TO INCORPORATE THE AMERICAN LEGION**

Mr. NICKLES. Madam President, I ask unanimous consent the Senate now proceed to the consideration of S. 1377 introduced earlier today by Senators HATCH and LEAHY.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows.

A bill (S. 1377) to amend the act incorporating the American Legion to make a technical correction.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LEAHY. Mr. President, I rise today to comment on a bill which will amend the act of incorporation of the American Legion. I have introduced this bill with my colleague from Utah, Senator HATCH, the chairman of the Judiciary Committee.

Last year, Congress expanded the dates of the Vietnam war for purposes of veterans benefits by shifting the official start of the war from December 22, 1961, to February 28, 1961. The bill before the Senate makes a similar change in the Legion's charter. When we pass this into law the Legion will be able to extend membership to those men and women who served honorably on active duty in the U.S. Armed Forces during the early years of the Vietnam war. I am hopeful that we can pass it by unanimous consent today, and have it signed into law by the President before we adjourn for the year.

Mr. President, this modest change will mean a lot to the veterans from that period who wanted the opportunity to join the American Legion but never could. They have waited for more than 35 years to have the privilege of becoming Legionnaires. We should not make them wait one day longer.

I yield the floor.