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Received; read twice and referred to the Committee on Banking,  
Housing, and Urban Affairs

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AN ACT

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.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) Short Title- This Act may be cited as the 'Expanding American Homeownership Act of 2007'.

(b) Table of Contents- The table of contents for 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. Downpayment simplification.
- Sec. 6. Mortgage insurance premiums for zero- and lower-downpayment borrowers.
- Sec. 7. Mortgage insurance premiums for standard and higher-risk borrowers.
- Sec. 8. Risk-based mortgage insurance premiums.
- Sec. 9. Payment incentives.
- Sec. 10. Borrower protections for higher risk mortgages.
- Sec. 11. Refinancing mortgages.
- Sec. 12. Annual reports on new programs and loss mitigation.

Sec. 13. Insurance for single family homes with licensed child care facilities.

Sec. 14. Rehabilitation loans.

Sec. 15. Discretionary action.

Sec. 16. Insurance of condominiums and manufactured housing.

Sec. 17. Mutual Mortgage Insurance Fund.

Sec. 18. Hawaiian home lands and Indian reservations.

Sec. 19. Conforming and technical amendments.

Sec. 20. Home equity conversion mortgages.

Sec. 21. Participation of mortgage brokers and correspondent lenders.

Sec. 22. Conforming loan limit in disaster areas.

Sec. 23. Failure to pay amounts from escrow accounts for single family mortgages.

Sec. 24. Acceptable identification for FHA mortgagors.

Sec. 25. Pilot program for automated process for borrowers without sufficient credit history.

Sec. 26. Sense of Congress regarding technology for financial systems.

Sec. 27. Multifamily housing mortgage limits in high cost areas.

Sec. 28. Discount sales of multifamily properties.

Sec. 29. Clarification of disposition of certain properties.

Sec. 30. Noncompetitive sales by HUD to states and localities.

Sec. 31. Use of FHA savings for costs of mortgage insurance, housing counseling, FHA technologies, procedures, and processes, and for affordable housing grant fund, and study.

Sec. 32. Limitation on mortgage insurance premium increases.

Sec. 33. Civil money penalties for improperly influencing appraisals.

Sec. 34. Mortgage insurance premium refunds.

Sec. 35. Savings provision.

Sec. 36. Implementation.

## SEC. 2. FINDINGS AND PURPOSES.

(a) Findings- The Congress finds that--

(1) one of the primary missions of the Federal Housing Administration (FHA) single family mortgage insurance program is to reach borrowers who are underserved, or

not served, by the existing conventional mortgage marketplace;

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

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

(4) the FHA mortgage insurance premium structure, as well as FHA's product offerings, should be revised to reflect FHA's enhanced ability to determine risk at the loan level and to allow FHA to better respond to changes in the mortgage market;

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

(6) as housing price appreciation slows and interest rates rise, many homeowners and prospective homebuyers will need the less-expensive, safer financing alternative that FHA mortgage insurance provides.

(b) Purposes- The purposes of this Act are--

(1) to provide flexibility to FHA to allow for the insurance of housing loans for low- and moderate-income homebuyers during all economic cycles in the mortgage market;

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

(3) to adjust the loan limits for the single family mortgage insurance program to reflect rising house prices and the increased costs associated with new construction.

### SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.

Section 203(b)(2) of the National Housing Act (12 U.S.C. 1709(b)(2)(A)) is amended by striking subparagraph (A) and inserting the following new subparagraph:

(A) not to exceed the lesser of--

` (i) in the case of a 1-family residence, 125 percent of the median 1-family house price in the area, as determined by the Secretary; and in the case of a 2-, 3-, or 4-family residence, the percentage of such median price that bears the same ratio to such median price as the dollar amount limitation in effect for 2007 under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family residence, respectively, bears to the dollar amount limitation in effect for 2007 under such section for a 1-family residence; or

` (ii) 175 percent of the dollar amount limitation in effect for 2007 under such section 305(a)(2) for a residence of the applicable size (without regard to any authority to increase such limitations with respect to properties located in Alaska, Guam, Hawaii, or the Virgin Islands), except that each such maximum dollar amount shall be adjusted effective January 1 of each year beginning with 2008, by adding to or subtracting from each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase or decrease, during the most recently completed 12-month or 4-quarter period ending before the time of determining such annual adjustment, in an housing price index developed or selected by the Secretary for purposes of adjustments under this clause;

except that the dollar amount limitation in effect under this subparagraph for any size residence for any area may not be less than the greater of: (I) the dollar amount limitation in effect under this section for the area on October 21, 1998; or (II) 65 percent of the dollar amount limitation in effect for 2007 under such section 305(a)(2) for a residence of the applicable size, as such limitation is adjusted by any subsequent percentage adjustments determined under clause (ii) of this subparagraph; and except that, if the Secretary determines that market conditions warrant such an increase, the Secretary

may, for such period as the Secretary considers appropriate, increase the maximum dollar amount limitation determined pursuant to the preceding provisions of this subparagraph with respect to any particular size or sizes of residences, or with respect to residences located in any particular area or areas, to an amount that does not exceed the maximum dollar amount then otherwise in effect pursuant to the preceding provisions of this subparagraph for such size residence, or for such area (if applicable), by not more than \$100,000; and'.

#### SEC. 4. EXTENSION OF MORTGAGE TERM.

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

- (1) by striking ` thirty-five years' and inserting ` forty years'; and
- (2) by striking ` (or thirty years if such mortgage is not approved for insurance prior to construction)'.

#### SEC. 5. DOWNPAYMENT SIMPLIFICATION.

Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended--

- (1) in paragraph (2)--
  - (A) by striking subparagraph (B) and inserting the following new subparagraph:
    - ` (B) not to exceed an amount equal to the sum of--
      - ` (i) the amount of the mortgage premium paid at the time the mortgage is insured; and
      - ` (ii)(I) except as provided in subclause (II), 97.75 percent of the appraised value of the property; or
      - ` (II) in the case only of a mortgage described in subsection (c)(3), the appraised value of the property, plus any initial service charges, appraisal, inspection, and other fees in connection with the mortgage as approved by the Secretary.';
  - (B) in the matter after and below subparagraph (B), by striking the second sentence (relating to a definition of ` average closing cost') and all that follows through ` title 38, United States Code.'; and

- (C) by striking the last undesignated paragraph (relating to counseling with respect to the responsibilities and financial management involved in homeownership); and
- (2) in paragraph (9)--
  - (A) by striking the paragraph designation and all that follows through ` *Provided further*, That for' and inserting the following:
    - ` (9) Except in the case of a mortgage described in subsection (c)(3), be executed by a mortgagor who shall have paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured). For'; and
    - (B) by inserting after the period at the end the following: ` For purposes of this paragraph, the Secretary shall consider as cash or its equivalent any amounts gifted by a family member (as such term is defined in section 201), the mortgagor's employer or labor union, or a qualified homeownership assistance entity, but only if there is no obligation on the part of the mortgagor to repay the gift: For purposes of the preceding sentence, the term ` qualified homeownership assistance entity' means any governmental agency or charity that has a program to provide homeownership assistance to low- and moderate-income families or first-time home buyers, or any private nonprofit organization that has such a program and evidences sufficient fiscal soundness to protect the fiscal integrity of the Mutual Mortgage Insurance Fund by maintaining a minimum net worth of \$4,000,000 of acceptable assets.'

## SEC. 6. MORTGAGE INSURANCE PREMIUMS FOR ZERO- AND LOWER-DOWNPAYMENT BORROWERS.

Section 203(c) of the National Housing Act (12 U.S.C. 1709(c) is amended by adding at the end the following new paragraph:

- ` (3) Zero- and Lower-Downpayment Borrowers--
  - ` (A) APPLICABILITY- This paragraph shall apply to any mortgage that--

- ˘ (i) is secured by a 1- to 4-family dwelling that will be occupied by the mortgagor as his or her principal residence;
  - ˘ (ii)(I) is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section; or
  - ˘ (II) is insured under subsection (k) of this section or section 234(c);
  - ˘ (iii)(I) is executed by a mortgagor who has not had any present ownership interest in a principal residence, and whose spouse has not had any such interest, during 12-month period ending upon purchase of the residence with the mortgage to which this paragraph applies, except that this subclause shall be considered a program to assist first-time homebuyers for purposes of section 956 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12713); or
  - ˘ (II)(aa) is made to pay or prepay, and fully extinguish, the outstanding obligations under an existing mortgage or mortgages on the same property; and
  - ˘ (bb) involves a principal obligation not exceeding the amount necessary to fully pay or prepay such outstanding obligations under the existing mortgage or mortgages, plus any charges and fees involved in such transaction and any charges and fees in connection with the payment or prepayment of such outstanding obligations.
  - ˘ (iv)(I) involves a principal obligation that does not comply with subclause (I) of subsection (b)(2)(B)(ii) (relating to loan-to-value ratio); or
  - ˘ (II) is executed by a mortgagor who has not paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured).
- ˘ (B) UP-FRONT PREMIUMS- The amount of any single premium payment collected at the time of insurance may not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.
- ˘ (C) ANNUAL PREMIUMS- Except as provided in subparagraph (D), the amount of any annual premium

payment collected may not exceed 0.75 percent of the remaining insured principal obligation of the mortgage.

^ (D) ANNUAL REDETERMINATION OF PREMIUM RATE- The Secretary shall redetermine the rates of premiums not less than once every 12 months.'

## SEC. 7. MORTGAGE INSURANCE PREMIUMS FOR STANDARD AND HIGHER-RISK BORROWERS.

Paragraph (2) of section 203(c) of the National Housing Act (12 U.S.C. 1709(c)(2)) is amended--

(1) by striking the matter that precedes subparagraph (A) and inserting the following:

^ (2) Standard-Risk Mortgages- In the case of any mortgage that is secured by a 1- to 4-family dwelling, is an obligation of the Mutual Mortgage Insurance Fund or of the General Insurance Fund pursuant to subsection (v) of this section or is insured under subsection (k) of this section or section 234(c), for which the mortgagor has paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured), and that involves a principal obligation that complies with subclause (I) of subsection (b)(2)(B)(ii), the following requirements shall apply:'; and

(2) by adding at the end the following new subparagraph:

^ (C) HIGHER-RISK BORROWERS- The Secretary shall establish underwriting standards that provide for insurance under this section of mortgages described in the matter in this paragraph preceding subparagraph (A) for which the mortgagor has a credit score equivalent to a FICO score of less than 560, and may insure, and make commitments to insure, such mortgages. Such underwriting standards shall include establishing and collecting premium payments that comply with the requirements of this paragraph, except that notwithstanding subparagraph (A), the single premium payment collected at the time of insurance may be established in an amount that does not exceed 3.0 percent of the amount of the original insured principal obligation of the mortgage.'

## SEC. 8. RISK-BASED MORTGAGE INSURANCE PREMIUMS.

Section 203(c) of the National Housing Act (12 U.S.C. 1709(c)), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new paragraphs:

“(4) Flexible Risk-Based Premiums- In the case of a mortgage referred to in paragraph (2)(C) or (3)(A) for which the loan application is received by the mortgagee on or after October 1, 2007:

“(A) IN GENERAL- The Secretary may establish a mortgage insurance premium structure involving a single premium payment collected prior to the insurance of the mortgage or annual payments (which may be collected on a periodic basis), or both, subject to the requirements of subparagraph (B) and paragraph (5). Under such structure, the rate of premiums for such a mortgage may vary according to the credit risk associated with the mortgage and the rate of any annual premium for such a mortgage may vary during the mortgage term as long as the basis for determining the variable rate is established before the execution of the mortgage. The Secretary may change a premium structure established under this subclause but only to the extent that such change is not applied to any mortgage already executed.

“(B) ESTABLISHMENT AND ALTERATION OF PREMIUM STRUCTURE- A premium structure shall be established or changed under subparagraph (A) only by providing notice to mortgagees and to the Congress, at least 30 days before the premium structure is established or changed.

“(C) ANNUAL REPORT REGARDING PREMIUMS- The Secretary shall submit a report to the Congress annually setting forth the rate structures and rates established and altered pursuant to this paragraph during the preceding 12-month period and describing how such rates were determined.

“(5) Considerations for Premium Structure- When establishing premiums for mortgages referred to in paragraph (2)(C), establishing premiums pursuant to paragraph (3), establishing a premium structure under paragraph (4), and when changing such a premium structure, the Secretary shall consider the following:

“(A) The effect of the proposed premiums or structure on the Secretary's ability to meet the operational goals of the Mutual Mortgage Insurance Fund as provided in section 202(a).

“(B) Underwriting variables.



of the 5-year period beginning upon the time of insurance of such a mortgage.

` (B) PAYMENT INCENTIVE- In the case of any mortgage to which the payment incentive under this subparagraph applies, if, during the period referred to in clause (i) or (ii) of subparagraph (A), as applicable, all mortgage insurance premiums for such mortgage have been paid on a timely basis, upon the expiration of such period the Secretary shall--

` (i) reduce the amount of the annual premium payments otherwise due thereafter under such mortgage--

` (I) in the case of a mortgage referred to in paragraph (3), to an amount that does not exceed the amount of the maximum annual premium allowable under paragraph (2)(B); and

` (II) in the case of a mortgage referred to in paragraph (2)(C), to an amount that does not exceed the amount of the annual premium payable at the time of insurance of the mortgage on a mortgage of the same product type having the same terms, but for which the mortgagor has a credit score equivalent to a FICO score of 560 or more; and

` (ii) in the case only of a mortgage referred to in paragraph (2)(C), refund to the mortgagor, upon payment in full of the obligation of the mortgage, any amount by which the single premium payment for such mortgage collected at the time of insurance exceeded the amount of the single premium payment chargeable under paragraph (2)(A) at the time of insurance for a mortgage of the same product type having the same terms, but for which the mortgagor has a credit score equivalent to a FICO score of 560 or more.'.

## SEC. 10. BORROWER PROTECTIONS FOR HIGHER RISK MORTGAGES.

Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended by adding at the end the following new paragraph:

` (10) BORROWER PROTECTIONS FOR CERTAIN MORTGAGES- Except as otherwise specifically provided in

this paragraph, in the case of any mortgage referred to in paragraph (2)(C) or (3) of subsection (c), the following requirements shall apply:

˘ (A) DISCLOSURES-

˘ (i) REQUIRED DISCLOSURES- In addition to any disclosures that are otherwise required by law or by the Secretary for single family mortgages, the mortgagee shall disclose to the mortgagor the following information:

˘ (I) AT APPLICATION- At the time of application for the loan involved in the mortgage, a list of counseling agencies, approved by the Secretary, in the area of the applicant.

˘ (II) AT EXECUTION- At the time of entering into the mortgage--

˘ (aa) the terms of the mandatory 5-year payment incentive required under subsection (c)(7)(A)(ii); and

˘ (bb) a statement that the mortgagor has a right under contract to loss mitigation.

˘ (III) OTHER INFORMATION- Any other additional information that the Secretary determines is appropriate to ensure that the mortgagor has received timely and accurate information about the program under paragraph (2)(C) or (3) of subsection (c), as applicable.

˘ (ii) PENALTIES FOR FAILURE TO PROVIDE REQUIRED DISCLOSURES- The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide any disclosure required under clause (i).

˘ (iii) NO PRIVATE RIGHT OF ACTION- This subparagraph shall not create any private right of action on behalf of the mortgagor.

˘ (B) COUNSELING-

˘ (i) REQUIREMENT- The Secretary shall require that the mortgagor shall have received counseling that complies with the requirements of this subparagraph.

- ˘ (ii) TERMS OF COUNSELING- Counseling under this subparagraph shall be provided--
  - ˘ (I) prior to closing for the loan involved in the mortgage;
  - ˘ (II) by a third party (other than the mortgagee) who is approved by the Secretary, with respect to the responsibilities and financial management involved in homeownership;
  - ˘ (III) on an individual basis to the mortgagor by a representative of the approved third-party counseling entity; and
  - ˘ (IV) in person, to the maximum extent possible.
- ˘ (iii) TOPICS- In the case only of a mortgage referred to in subsection (c)(3), counseling under this subparagraph shall include providing to, and discussing with, the mortgagor--
  - ˘ (I) information regarding homeownership options other than a mortgage that is subject to this paragraph, other zero- or low-downpayment mortgage options that are or may become available to the mortgagor, the financial implications of entering into a mortgage (including a mortgage subject to this paragraph), and any other information that the Secretary may require;
  - ˘ (II) a written disclosure that sets forth the amount and the percentage by which a property with a mortgage that is subject to this paragraph must appreciate for the mortgagor to recover the principal amount of the mortgage, the costs financed under the mortgage, and the estimated costs involved in selling the property, if the mortgagor were to sell the property on each of the second, fifth, and tenth anniversaries of the mortgage; and

` (III) a written disclosure, as the Secretary shall require, that specifies the effective cost to a mortgagor of borrowing the amount by which the maximum amount that could be borrowed under a mortgage that is referred to in subsection (c)(3) exceeds the maximum amount that could be borrowed under a mortgage insured under this subsection that is not a mortgage referred to in such subsection, based on average closing costs with respect to such amount, as determined by the Secretary; such cost shall be expressed as an annual interest rate over the first 5 years of a mortgage; the disclosure required under this subclause may be provided in conjunction with the notice required under subsection (f).

` (iv) 2- AND 3-FAMILY RESIDENCES- In the case of a mortgage involving a 2- or 3-family residence, counseling under this subparagraph shall include (in addition to the information required under clause (iii)) information regarding real estate property management.

` (C) NOTICE OF FORECLOSURE PREVENTION COUNSELING AVAILABILITY-

` (i) WRITTEN AGREEMENT- To be eligible for insurance under this subsection, the mortgagee shall provide the mortgagor, at the time of the execution of the mortgage, a written agreement which shall be signed by the mortgagor and under which the mortgagee shall provide notice described in clause (ii) to a housing counseling entity that has agreed to provide the notice and counseling required under clause (iii) and is approved by the Secretary.

` (ii) NOTICE TO COUNSELING AGENCY- The notice described in this clause, with respect to a mortgage, is notice, provided at the earliest time practicable after the mortgagor becomes 60 days delinquent with respect to any payment due under the mortgage, that the

mortgagor is so delinquent and of how to contact the mortgagor. Such notice may only be provided once with respect to each delinquency period for a mortgage.

` (iii) NOTICE TO MORTGAGOR- Upon notice from a mortgagee that a mortgagor is 60 days delinquent with respect to payments due under the mortgage, the housing counseling entity shall at the earliest time practicable notify the mortgagor of such delinquency, that the entity makes available foreclosure prevention counseling that may assist the mortgagor in resolving the delinquency, and of how to contact the entity to arrange for such counseling.

` (iv) ABILITY TO CURE- Failure to provide the written agreement required under clause (i) may be corrected by sending such agreement to the mortgagor not later than the earliest time practicable after the mortgagor first becomes 60 days delinquent with respect to payments due under the mortgage. Insurance provided under this subsection may not be terminated and penalties for such failure may not be prospectively or retroactively imposed if such failure is corrected in accordance with this clause.

` (v) PENALTIES FOR FAILURE TO PROVIDE AGREEMENT- The Secretary may establish and impose appropriate penalties for failure of a mortgagee to provide the written agreement required under clause (i).

` (vi) LIMITATION ON LIABILITY OF MORTGAGEE- A mortgagee shall not incur any liability or penalties for any failure of a housing counseling entity to provide notice under clause (iii).

` (vii) NO PRIVATE RIGHT OF ACTION- This subparagraph shall not create any private right of action on behalf of the mortgagor.

` (viii) DELINQUENCY PERIOD- For purposes of this subparagraph, the term 'delinquency period' means, with respect to a mortgage, a period that begins upon the mortgagor

becoming delinquent with respect to payments due under the mortgage and ends upon the first subsequent occurrence of such payments under the mortgage becoming current or the property subject to the mortgage being foreclosed or otherwise disposed of.'.

## SEC. 11. REFINANCING MORTGAGES.

Section 203 of the National Housing Act (12 U.S.C. 1709) is amended by inserting after subsection (k) the following new subsection:

^ (I) Refinancing Mortgages-

^ (1) ESTABLISHMENT OF UNDERWRITING STANDARDS-

The Secretary shall establish underwriting standards that provide for insurance under this title of mortgage loans, and take actions to facilitate the availability of mortgage loans insured under this title, for qualified borrowers that are made for the purpose of paying or prepaying outstanding obligations under existing mortgages for borrowers that--

^ (A) have existing mortgages with adverse terms or rates, or

^ (B) do not have access to mortgages at reasonable rates and terms for such refinancings due to adverse market conditions.

^ (2) INSURANCE OF MORTGAGES TO BORROWERS IN DEFAULT OR AT RISK OF DEFAULT- In facilitating insurance for such mortgages, the Secretary may insure mortgages to borrowers who are, currently in default or at imminent risk of being in default, but only if such loans meet reasonable underwriting standards established by the Secretary.'.

## SEC. 12. ANNUAL REPORTS ON NEW PROGRAMS AND LOSS MITIGATION.

Section 540(b)(2) of the National Housing Act (12 U.S.C. 1735f-18(b)(2)) is amended, by adding at the end the following new subparagraphs:

^ (C) The rates of default and foreclosure for the applicable collection period for mortgages insured pursuant to the programs for mortgage insurance under paragraphs (2)(C) and (3) of section 203(c).

^ (D) Actions taken by the Secretary during the applicable collection period with respect to loss mitigation on mortgages insured pursuant to section 203.'.

## SEC. 13. INSURANCE FOR SINGLE FAMILY HOMES WITH LICENSED CHILD CARE FACILITIES.

(a) Definition of Child Care Facility- Section 201 of the National Housing Act (12 U.S.C. 1707) is amended by adding at the end the following new subsection:

^ (g) The term ^child care facility' means a facility that--  
^ (A) has as its purpose the care of children who are less than 12 years of age; and  
^ (B) is licensed or regulated by the State in which it is located (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located).

Such term does not include facilities for school-age children primarily for use during normal school hours.'.

(b) Increase in Maximum Mortgage Amount Limitation- Paragraph (2) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(2)), as amended by the preceding provisions of this Act, is further amended by adding at end the following new undesignated paragraph:

^ Notwithstanding any other provision of this paragraph, the amount that may be insured under this section may be increased by up to 25 percent if such increase is necessary to account for the increased cost of the residence due to an increased need of space in the residence for locating and operating a child care facility (as such term is defined in section 201) within the residence, but only if a valid license or certificate of compliance with regulations described in section 201(g)(2) has been issued for such facility as of the date of the execution of the mortgage, and only if such increase in the amount insured is proportional to the amount of space of such residence that will be used for such facility.'.

## SEC. 14. REHABILITATION LOANS.

Subsection (k) of section 203 of the National Housing Act (12 U.S.C. 1709(k)) is amended--

(1) in paragraph (1), by striking `on' and all that follows through `1978'; and

(2) in paragraph (5)--

(A) by striking `General Insurance Fund' the first place it appears and inserting `Mutual Mortgage Insurance Fund'; and

(B) in the second sentence, by striking the comma and all that follows through `General Insurance Fund'.

## SEC. 15. DISCRETIONARY ACTION.

The National Housing Act is amended--

(1) in subsection (e) of section 202 (12 U.S.C. 1708(e))--

(A) in paragraph (3)(B), by striking `section 202(e) of the National Housing Act' and inserting `this subsection'; and

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

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

`(4) the Secretary of Agriculture;'; and

(3) by transferring subsection (s) of section 203 (as amended by paragraph (2) of this section) to section 202, inserting such subsection after subsection (d) of section 202, and redesignating such subsection as subsection (e).

## SEC. 16. INSURANCE OF CONDOMINIUMS AND MANUFACTURED HOUSING.

(a) In General- Section 234 of the National Housing Act (12 U.S.C. 1715y) is amended--

(1) in subsection (c)--

(A) in the first sentence--

(i) by striking `and' before `(2)'; and

(ii) by inserting before the period at the end the following: `, and (3) the project has a blanket mortgage insured by the Secretary under subsection (d)'; and

(B) in clause (B) of the third sentence, by striking `thirty-five years' and inserting `forty years'; and

(2) in subsection (g), by striking `, except that' and all that follows and inserting a period.

(b) Definition of Mortgage- Section 201(a) of the National Housing Act (12 U.S.C. 1707(a)) is amended--

- (1) before ` a first mortgage' insert `(A)';
- (2) by striking `or on a leasehold (1)' and inserting `(B) a first mortgage on a leasehold on real estate (i)';
- (3) by striking `or (2)' and inserting `, or (ii)'; and
- (4) by inserting before the semicolon the following: `, or (C) a first mortgage given to secure the unpaid purchase price of a fee interest in, or long-term leasehold interest in, real estate consisting of a one-family unit in a multifamily project, including a project in which the dwelling units are attached, or are manufactured housing units, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project'.

(c) Definition of Real Estate- Section 201 of the National Housing Act (12 U.S.C. 1707), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new subsection:

`(h) The term `real estate' means land and all natural resources and structures permanently affixed to the land, including residential buildings and stationary manufactured housing. The Secretary may not require, for treatment of any land or other property as real estate for purposes of this title, that such land or property be treated as real estate for purposes of State taxation.'

## SEC. 17. MUTUAL MORTGAGE INSURANCE FUND.

(a) In General- Subsection (a) of section 202 of the National Housing Act (12 U.S.C. 1708(a)) is amended to read as follows:

`(a) Mutual Mortgage Insurance Fund-

`(1) ESTABLISHMENT- Subject to the provisions of the Federal Credit Reform Act of 1990, there is hereby created a Mutual Mortgage Insurance Fund (in this title referred to as the `Fund'), which shall be used by the Secretary to carry out the provisions of this title with respect to mortgages insured under section 203. The Secretary may enter into commitments to guarantee, and may guarantee, such insured mortgages.

`(2) LIMIT ON LOAN GUARANTEES- The authority of the Secretary to enter into commitments to guarantee such insured mortgages shall be effective for any fiscal year only to the extent that the aggregate original principal loan

amount under such mortgages, any part of which is guaranteed, does not exceed the amount specified in appropriations Acts for such fiscal year.

` (3) FIDUCIARY RESPONSIBILITY- The Secretary has a responsibility to ensure that the Mutual Mortgage Insurance Fund remains financially sound.

` (4) ANNUAL INDEPENDENT ACTUARIAL STUDY- The Secretary shall provide for an independent actuarial study of the Fund to be conducted annually, which shall analyze the financial position of the Fund. The Secretary shall submit a report annually to the Congress describing the results of such study and assessing the financial status of the Fund. The report shall recommend adjustments to underwriting standards, program participation, or premiums, if necessary, to ensure that the Fund remains financially sound.

` (5) QUARTERLY REPORTS- During each fiscal year, the Secretary shall submit a report to the Congress for each quarter, which shall specify for mortgages that are obligations of the Fund--

` (A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;

` (B) the types of loans insured, categorized by risk;

` (C) any significant changes between actual and projected claim and prepayment activity;

` (D) projected versus actual loss rates; and

` (E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

The first quarterly report under this paragraph shall be submitted on the last day of the first quarter of fiscal year 2008, or upon the expiration of the 90-day period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, whichever is later.

` (6) ADJUSTMENT OF PREMIUMS- If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the

Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

` (7) OPERATIONAL GOALS- The operational goals for the Fund are--

` (A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

` (B) to minimize the default risk to the Fund and to homeowners;

` (C) to curtail the impact of adverse selection on the Fund; and

` (D) to meet the housing needs of the borrowers that the single family mortgage insurance program under this title is designed to serve.'.

(b) Obligations of Fund- The National Housing Act is amended as follows:

(1) HOMEOWNERSHIP VOUCHER PROGRAM MORTGAGES- In section 203(v) (12 U.S.C. 1709(v))--

(A) by striking ` Notwithstanding section 202 of this title, the' and inserting ` The'; and

(B) by striking ` General Insurance Fund' the first place such term appears and all that follows and inserting ` Mutual Mortgage Insurance Fund'.

(2) HOME EQUITY CONVERSION MORTGAGES- Section 255(i)(2)(A) of the National Housing Act (12 U.S.C. 1715z-20(i)(2)(A)) is amended by striking ` General Insurance Fund' and inserting ` Mutual Mortgage Insurance Fund'.

(c) Conforming Amendments- The National Housing Act is amended--

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

(2) in section 519(e) (12 U.S.C. 1735c(e)), by striking ` 203(b)' and all that follows through ` 203(i)' and inserting ` 203, except as determined by the Secretary'.

## SEC. 18. HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.

(a) Hawaiian Home Lands- Section 247(c) of the National Housing Act (12 U.S.C. 1715z-12) is amended--

- (1) by striking `General Insurance Fund established in section 519' and inserting `Mutual Mortgage Insurance Fund'; and
- (2) in the second sentence, by striking `(1) all references' and all that follows through `and (2)'.
  - (b) Indian Reservations- Section 248(f) of the National Housing Act (12 U.S.C. 1715z-13) is amended--
    - (1) by striking `General Insurance Fund' the first place it appears and all that follows through `519' and inserting `Mutual Mortgage Insurance Fund'; and
    - (2) in the second sentence, by striking `(1) all references' and all that follows through `and (2)'.

## SEC. 19. CONFORMING AND TECHNICAL AMENDMENTS.

- (a) Repeals- The following provisions of the National Housing Act are repealed:
  - (1) Subsection (i) of section 203 (12 U.S.C. 1709(i)).
  - (2) Subsection (o) of section 203 (12 U.S.C. 1709(o)).
  - (3) Subsection (p) of section 203 (12 U.S.C. 1709(p)).
  - (4) Subsection (q) of section 203 (12 U.S.C. 1709(q)).
  - (5) Section 222 (12 U.S.C. 1715m).
  - (6) Section 237 (12 U.S.C. 1715z-2).
  - (7) Section 245 (12 U.S.C. 1715z-10).
- (b) Definition of Area- Section 203(u)(2)(A) of the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is amended by striking `shall' and all that follows and inserting `means a metropolitan statistical area as established by the Office of Management and Budget;'.
  - (c) Definition of State- Section 201(d) of the National Housing Act (12 U.S.C. 1707(d)) is amended by striking `the Trust Territory of the Pacific Islands' and inserting `the Commonwealth of the Northern Mariana Islands'.

## SEC. 20. HOME EQUITY CONVERSION MORTGAGES.

- (a) In General- Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended--
  - (1) in subsection (b)(2), insert `real estate,' after `mortgagor',';
  - (2) in subsection (b)(4), by striking subparagraph (B) and inserting the following new subparagraph:
    - `(B) under a lease that has a term that ends no earlier than the minimum number of years, as

specified by the Secretary, beyond the actuarial life expectancy of the mortgagor or comortgagor, whichever is the later date.'

(3) in subsection (g)--

(A) by striking the first sentence; and

(B) by striking `established under section 203(b)(2)' and all that follows through `located' and inserting `limitation established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a 1-family residence';

(4) in subsection (i)(1)(C), by striking `limitations' and inserting `limitation'; and

(5) by adding at the end the following new subsection:

`(o) Authority To Insure Home Purchase Mortgage-

`(1) IN GENERAL- Notwithstanding any other provision in this section, the Secretary may insure, upon application by a mortgagee, a home equity conversion mortgage upon such terms and conditions as the Secretary may prescribe, when the primary purpose of the home equity conversion mortgage is to enable an elderly mortgagor to purchase a 1- to 4-family dwelling in which the mortgagor will occupy or occupies one of the units.

`(2) LIMITATION ON PRINCIPAL OBLIGATION- A home equity conversion mortgage insured pursuant to paragraph (1) shall involve a principal obligation that does not exceed the dollar amount limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size.'

(b) Mortgages for Cooperatives- Subsection (b) of section 255 of the National Housing Act (12 U.S.C. 1715z-20(b)) is amended--

(1) in paragraph (4)--

(A) by inserting `a first or subordinate mortgage or lien' before `on all stock';

(B) by inserting `unit' after `dwelling'; and

(C) by inserting `a first mortgage or first lien' before `on a leasehold'; and

(2) in paragraph (5), by inserting `a first or subordinate lien on' before `all stock'.

(c) Limitation on Origination Fees- Section 255 of the National Housing Act (12 U.S.C. 1715z-20), as amended by the preceding provisions of this section, is further amended--

(1) by redesignating subsections (k), (l), and (m) as subsections (l), (m), and (n), respectively; and

(2) by inserting after subsection (j) the following new subsection:

^ (k) Limitation on Origination Fees- The Secretary shall establish limits on the origination fee that may be charged to a mortgagor under a mortgage insured under this section, which limitations shall--

^ (1) equal to 1.5 percent of the maximum claim amount of the mortgage, except that the Secretary may adjust the limitation under this paragraph on the basis of an analysis of: (A) costs to mortgagors; and (B) the impact on the reverse mortgage market;

^ (2) be subject to a minimum allowable amount;

^ (3) provide that the origination fee may be fully financed with the mortgage;

^ (4) include any fees paid to correspondent mortgagees approved by the Secretary or to mortgage brokers; and

^ (5) apply beginning upon the date that the maximum dollar amount limitation on the benefits of insurance under this section is first increased pursuant to the amendments made by section 19(a)(2) of the Expanding American Homeownership Act of 2007.'

(d) Study Regarding Mortgage Insurance Premiums- The Secretary of Housing and Urban Development shall conduct a study regarding mortgage insurance premiums charged under the program under section 255 of the National Housing Act (12 U.S.C. 1715z-20) for insurance of home equity conversion mortgages to analyze and determine the effects of reducing the amounts of such premiums from the amounts charged as of the date of the enactment of this Act on: (1) costs to mortgagors; and (2) the financial soundness of the program. Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress setting forth the results and conclusions of the study.

## SEC. 21. PARTICIPATION OF MORTGAGE BROKERS AND CORRESPONDENT LENDERS.

(a) In General-

(1) DEFINITIONS-

(A) IN GENERAL- Section 201 of the National Housing Act (12 U.S.C. 1707), as amended by the preceding provisions of this Act, is further amended-

-

(i) by striking `As used in section 203 of this title--' and inserting `As used in this title and for purposes of participation in insurance programs under this title, except as specifically provided otherwise, the following definitions shall apply:';

(ii) by striking subsection (b) and inserting the following:

(2) The term `mortgagee' means any of the following entities, and its successors and assigns, to the extent such entity is approved by the Secretary:

(A) QUALIFICATION BY AUDIT AND NET WORTH- A lender who--

(i) closes a mortgage in its name and underwrites the mortgage, services the mortgage, or both underwrites and services the mortgage;

(ii) submits to the Secretary such financial audits performed in accordance with the standards for financial audits of the Government Auditing Standards issued by the Comptroller General of the United States;

(iii) meet the minimum net worth requirement that the Secretary shall establish;

(iv) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a lender in such State; and

(v) complies with such other requirements as the Secretary may establish.

(B) QUALIFICATION OF CORRESPONDENT LENDERS BY SURETY BOND- Except as provided in subparagraph (D), a correspondent lender who--

(i) closes a mortgage in its name, but does not underwrite and does not service the mortgage;

(ii) is licensed, under the laws of the State in which the property that is subject to the mortgage is located, to act as a correspondent lender in such State;

(iii) posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirement, that--

` (I) is in a form satisfactory to the Secretary;

` (II) is in an aggregate amount, to be determined by the Secretary based on the aggregate principal amount of single-family mortgages insured under this title that are placed in a calendar year, which shall not be less than \$50,000 or more than \$100,000, as such amount is adjusted annually by the Secretary (as determined by the Secretary) by the change for such year in the Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the Department of Labor;

` (III) guarantees payment of any liability of the correspondent lender arising from its participation in the program, up to the penal sum of the surety bond; without regard to the number of years the bond remains in effect, the number of claims or claimants, and the number of premiums paid, in no event shall the aggregate liability of the surety exceed the penal sum of the bond; and

` (IV) may be cancelled by the surety as to future liability by giving 30 days notice in writing to the Secretary, except that any such cancellation shall not alter the liability of the surety for actions of the correspondent lender prior to the effective date of the cancellation; and

` (iv) complies with such other requirements as the Secretary may establish, except that the Secretary shall not require any minimum net worth or certified financial statements.

` (C) QUALIFICATION OF BROKERS BY SURETY

BOND- Except as provided in subparagraph (D), a mortgage broker who--

` (i) closes the mortgage in the name of the lender, and does not underwrite and does not service the mortgage;

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

` (iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

` (iv) complies with such other requirements as the Secretary may establish, except that the Secretary shall not require any minimum net worth or certified financial statements.

` (D) CONDITIONS FOR CONTINUED APPLICABILITY-

(i) Subparagraphs (B) and (C) shall continue to apply after the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007 only if, after the expiration of the 4-year period beginning upon such date of enactment and taking into consideration the report submitted in accordance with section 19(b) of such Act, the Secretary--

` (I) makes a determination that such subparagraphs provide protection to mortgage insurance funds for mortgages insured under this title that are comparable to the protection provided by the requirements for mortgagees under this title as in effect immediately before the enactment of such Act; and

` (II) publishes in the Federal Register a notice of such determination and an order extending the applicability of such subparagraphs.

` (ii) If, taking into consideration such report, the Secretary makes a determination after the expiration of such 4-year period that subparagraphs (B) and (C) do not provide protection as referred to in clause (i) of this subparagraph, the Secretary may, by order published in the Federal Register, provide for the participation, after the expiration of the 5-year period referred to in clause (i), of correspondent lenders and mortgage brokers as mortgagees in the insurance programs under this title in accordance with subparagraphs (B) and (C) as modified by the Secretary as the Secretary considers appropriate to provide such protection.

` (E) ADDITIONAL MORTGAGE BROKER REQUIREMENTS-

` (i) In addition to the requirements under subparagraphs (A) and (C) and to duties imposed under other statutes or common law, to be eligible as a mortgagee under this section, a broker shall--

` (I) safeguard and account for any money handled for the borrower;

` (II) follow reasonable and lawful instructions from the borrower; and

` (III) act with reasonable skill, care, and diligence.

` (ii) For purposes of this subparagraph, a loan correspondent shall be considered to be a mortgage broker.

` (iii) The duties and standards of care created in this subparagraph shall not be waived or modified.

` (iv) Any broker found by the Secretary to have violated the requirements of this subparagraph may not originate mortgage loans insured under this title.

` (3) The term `mortgagor' includes the original borrower under a mortgage and the successors and assigns of the original borrower.'; and

(iii) by redesignating subsections (a), (c), (d), (e), (f), (g), and (h) as paragraphs (1), (4), (5), (6), (7), (8), and (9), respectively, and indenting such paragraphs two ems so as to align the left margins of such paragraphs with the left margins of paragraphs (2) and (3) (as added by clause (ii) of this subparagraph).

(B) MORTGAGEE REVIEW- Section 202(c)(7) of the National Housing Act (12 U.S.C. 1708(c)(7)) is amended--

(i) in subparagraph (A), by inserting ` , as defined in section 201,' after `mortgagee';

(ii) by striking subparagraph (B); and

(iii) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(C) MULTIFAMILY RENTAL HOUSING INSURANCE- Section 207(a)(2) of the National Housing Act (12 U.S.C. 1713(a)(2)) is amended by striking `means the original lender under a mortgage, and its

successors and assigns, and' and inserting ` has the meaning given such term in section 201, except that such term also'.

(D) WAR HOUSING INSURANCE- Section 601(b) of the National Housing Act (12 U.S.C. 1736(b)) is amended by striking ` includes the original lender under a mortgage, and his successors and assigns approved by the Secretary' and inserting ` has the meaning given such term in section 201'.

(E) ARMED SERVICES HOUSING MORTGAGE INSURANCE- Section 801(b) of the National Housing Act (12 U.S.C. 1748(b)) is amended by striking ` includes the original lender under a mortgage, and his successors and assigns approved by the Secretary' and inserting ` has the meaning given such term in section 201'.

(F) GROUP PRACTICE FACILITIES MORTGAGE INSURANCE- Section 1106(8) of the National Housing Act (12 U.S.C. 1749aaa-5(8)) is amended by striking ` means the original lender under a mortgage, and his or its successors and assigns, and' and inserting ` has the meaning given such term in section 201, except that such term also'.

(2) ELIGIBILITY FOR INSURANCE-

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

- (i) by striking ` , and be held by, ' ; and
- (ii) by striking ` as responsible and able to service the mortgage properly'.

(B) SINGLE FAMILY HOUSING MORTGAGE INSURANCE- Paragraph (1) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(1)) is amended--

- (i) by striking ` , and be held by, ' ; and
- (ii) by striking ` as responsible and able to service the mortgage properly'.

(C) SECTION 221 MORTGAGE INSURANCE- Paragraph (1) of section 221(d) of the National Housing Act (12 U.S.C. 1715I(d)(1)) is amended--

- (i) by striking ` and be held by, ' ; and
- (ii) by striking ` as responsible and able to service the mortgage properly'.

(D) HOME EQUITY CONVERSION MORTGAGE INSURANCE- Paragraph (1) of section 255(d) of the National Housing Act (12 U.S.C. 1715z-20(d)(1)) is amended by striking `as responsible and able to service the mortgage properly'.

(E) WAR HOUSING MORTGAGE INSURANCE- Paragraph (1) of section 603(b) of the National Housing Act (12 U.S.C. 1738(b)(1)) is amended--

(i) by striking `, and be held by,'; and

(ii) by striking `as responsible and able to service the mortgage properly'.

(F) WAR HOUSING MORTGAGE INSURANCE FOR LARGE-SCALE HOUSING PROJECTS- Paragraph (1) of section 611(b) of the National Housing Act (12 U.S.C. 1746(b)(1)) is amended--

(i) by striking `and be held by'; and

(ii) by striking `as responsible and able to service the mortgage properly'.

(G) GROUP PRACTICE FACILITY MORTGAGE INSURANCE- Section 1101(b)(2) of the National Housing Act (12 U.S.C. 1749aaa(b)(2)) is amended--

(i) by striking `and held by'; and

(ii) by striking `as responsible and able to service the mortgage properly'.

(H) NATIONAL DEFENSE HOUSING INSURANCE- Paragraph (1) of section 903(b) of the National Housing Act (12 U.S.C. 1750b(b)(1)) is amended--

(i) by striking `, and be held by,'; and

(ii) by striking `as responsible and able to service the mortgage properly'.

(I) CONTINGENT REPEAL- Unless there is published in the Federal Register, before the expiration of the 5-year period beginning on the date of the enactment of this Act, an order under clause (i) or (ii) of section 201(2)(D) of the National Housing Act (12 U.S.C. 1707(2)(D)), as added by paragraph (1)(A)(2) of this subsection, upon the expiration of such period the provisions of such Act amended by this paragraph are amended to read as such provisions would be in effect upon such expiration if this Act had not been enacted (taking into consideration any amendments, after such date of enactment, to such provisions other than under this Act).

(b) GAO Study and Report-

(1) STUDY- The Comptroller General of the United States shall conduct a study, upon the expiration of the 42-month period beginning on the date of the enactment of this Act, regarding the effect of the amendments made by subsection (a), which shall analyze and determine--

(A) the extent to which such amendments have resulted in increased participation, by mortgage brokers and correspondent lenders, in the mortgage insurance programs under the National Housing Act, as measured by the number and amounts of such insured mortgages, disaggregated by the States in which the properties subject to such mortgages are located;

(B) with respect to mortgages insured under such Act, a comparison in the numbers and rate of defaults, foreclosures, and mortgage insurance claims on such mortgages originated by mortgage brokers and correspondent lenders authorized to participate in the programs under such Act pursuant to the amendments made by subsection (a) to such numbers and rates on such mortgages originated by lenders who would be authorized to participate in such programs notwithstanding such amendments;

(C) any impact of such amendments on the costs to the Secretary of Housing and Urban Development of administering the mortgage insurance programs under such title; and

(D) the extent and effectiveness of the supervision and enforcement, by the Secretary, of the additional authority provided under the amendments made by subsection (a).

(2) REPORT- Not later than the expiration of 4-year period beginning on the date of the enactment of this Act, the Comptroller General shall submit a report to the Congress and the Secretary of Housing and Urban Development setting forth the results and conclusions of the study conducted pursuant to paragraph (1).

## SEC. 22. CONFORMING LOAN LIMIT IN DISASTER AREAS.

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

- (1) by inserting after `property' the following: `plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary,';
- (2) by striking the second sentence (as added by chapter 7 of the Emergency Supplemental Appropriations Act of 1994 (Public Law 103-211; 108 Stat. 12)); and
- (3) by adding at the end the following new sentence: `In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 36 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, and not in excess of 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.'

## SEC. 23. FAILURE TO PAY AMOUNTS FROM ESCROW ACCOUNTS FOR SINGLE FAMILY MORTGAGES.

(a) Penalties- Section 536 of the National Housing Act (12 U.S.C. 1735f-14) is amended--

(1) in subsection (a)(1), by inserting `servicers (including escrow account servicers),' after `appraisers,';

(2) in subsection (b)(1)--

(A) in the matter preceding subparagraph (A), by inserting `or other participant referred to in subsection (a),' after `lender,'; and

(B) by inserting at the end the following new subparagraphs:

`(K) In the case of a mortgage for a 1- to 4-family residence insured under title II that requires the mortgagor to make payments to the mortgagee or other servicer of the mortgage for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, failure on the part of the servicer to make any such payment from the

escrow account by the deadline to avoid a penalty with respect to such payment provided for in the mortgage, unless the servicer was not provided notice of such deadline.

` (L) In the case of any failure to make any payment as described in subparagraph (K), submitting any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.'; and

(3) in subsection (c)(3), by adding at the end the following: ` In the case of any failure to make a payment described in subsection (b)(1)(K) for which the servicer fails to reimburse the mortgagor (A) before the expiration of the 60-day period beginning on the deadline to avoid a penalty with respect to such payment, in the sum of the amount not paid from the escrow account by such deadline and the amount of any penalties accruing to the mortgagor that are attributable to such failure, or (B) in the amount of any attorneys fees incurred by the mortgagor and attributable to such failure, the Secretary shall increase the amount of the penalty under subsection (a) for any such failure to reimburse, unless the Secretary determines there are mitigating circumstances.'.

(b) Prohibition on Submission of Information by HUD- Title II of the National Housing Act (12 U.S.C. 1707 et seq.) is amended by adding at the end the following new section:

#### ` SEC. 257. PROHIBITION REGARDING FAILURE ON PART OF SERVICER TO MAKE ESCROW PAYMENTS.

` In the case of any failure to make any payment as described in section 536(b)(1)(K), the Secretary may not submit any information to a consumer reporting agency (as such term is defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) regarding such failure that is adverse to the credit rating or interest of the mortgagor.'.

#### SEC. 24. ACCEPTABLE IDENTIFICATION FOR FHA MORTGAGORS.

(a) In General- Title II of the National Housing Act is amended by inserting after section 209 (12 U.S.C. 1715) the following new section:

SEC. 210. FORMS OF ACCEPTABLE IDENTIFICATION.

The Secretary may not insure a mortgage under any provision of this title unless the mortgagor under the mortgage provides personal identification in one of the following forms:

(1) SOCIAL SECURITY CARD WITH PHOTO IDENTIFICATION CARD OR REAL ID ACT IDENTIFICATION-

(A) A social security card accompanied by a photo identification card issued by the Federal Government or a State Government; or

(B) A driver's license or identification card issued by a State in the case of a State that is in compliance with title II of the REAL ID Act of 2005 (title II of division B of Public Law 109-13; 49 U.S.C. 30301 note).

(2) PASSPORT- A passport issued by the United States or a foreign government.

(3) USCIS PHOTO IDENTIFICATION CARD- A photo identification card issued by the Secretary of Homeland Security (acting through the Director of the United States Citizenship and Immigration Services).'

(b) Effective Date- The requirements of section 210 of the National Housing Act (as added by subsection (a) of this section) shall take effect 6 months after the date of the enactment of this Act.

SEC. 25. PILOT PROGRAM FOR AUTOMATED PROCESS FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

(a) Establishment- Title II of the National Housing Act (12 U.S.C. 1707 et seq.), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new section:

SEC. 258. PILOT PROGRAM FOR AUTOMATED PROCESS FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

` (a) Establishment- The Secretary shall carry out a pilot program to establish, and make available to mortgagees, an automated process for providing alternative credit rating information for mortgagors and prospective mortgagors under mortgages on 1- to 4-family residences to be insured under this title who have insufficient credit histories for determining their creditworthiness. Such alternative credit rating information may include rent, utilities, and insurance payment histories, and such other information as the Secretary considers appropriate.

` (b) Scope- The Secretary may carry out the pilot program under this section on a limited basis or scope, and may consider limiting the program--

` (1) to first-time homebuyers; or

` (2) metropolitan statistical areas significantly impacted by subprime lending.

` (c) Limitation- In any fiscal year, the aggregate number of mortgages insured pursuant to the automated process established under this section may not exceed 5 percent of the aggregate number of mortgages for 1- to 4-family residences insured by the Secretary under this title during the preceding fiscal year.

` (d) Sunset- After the expiration of the 5-year period beginning on the date of the enactment of the Expanding American Homeownership Act of 2007, the Secretary may not enter into any new commitment to insure any mortgage, or newly insure any mortgage, pursuant to the automated process established under this section.'

(b) GAO Report- Not later than the expiration of the 4-year period beginning on the date that the Secretary of Housing and Urban Development first insures any mortgage pursuant to the automated process established under pilot program under section 258 of the National Housing Act (as added by the amendment made by subsection (a) of this section), the Comptroller General of the United States shall submit to the Congress a report identifying the number of additional mortgagors served using such automated process and the impact of such process and the insurance of mortgages pursuant to such process on the safety and soundness of the insurance funds under the National Housing Act of which such mortgages are obligations.

## SEC. 26. SENSE OF CONGRESS REGARDING TECHNOLOGY FOR FINANCIAL SYSTEMS.

- (a) Congressional Findings- The Congress finds the following:
- (1) The Government Accountability Office has cited the FHA single family housing mortgage insurance program as a 'high-risk' program, with a primary reason being non-integrated and out-dated financial management systems.
  - (2) The 'Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2004 and 2003', conducted by the Inspector General of the Department of Housing and Urban Development reported as a material weakness that 'HUD/FHA's automated data processing [ADP] system environment must be enhanced to more effectively support FHA's business and budget processes'.
  - (3) Existing technology systems for the FHA program have not been updated to meet the latest standards of the Mortgage Industry Standards Maintenance Organization and have numerous deficiencies that lenders have outlined.
  - (4) Improvements to technology used in the FHA program will--
    - (A) allow the FHA program to improve the management of the FHA portfolio, garner greater efficiencies in its operations, and lower costs across the program;
    - (B) result in efficiencies and lower costs for lenders participating in the program, allowing them to better use the FHA products in extending homeownership opportunities to higher credit risk or lower-income families, in a sound manner.
  - (5) The Mutual Mortgage Insurance Fund operates without cost to the taxpayers and generates revenues for the Federal Government.
- (b) Sense of Congress- It is the sense of the Congress that--
- (1) the Secretary of Housing and Urban Development should use a portion of the funds received from premiums paid for FHA single family housing mortgage insurance that are in excess of the amounts paid out in claims to substantially increase the funding for technology used in such FHA program;
  - (2) the goal of this investment should be to bring the technology used in such FHA program to the level and sophistication of the technology used in the conventional mortgage lending market, or to exceed such level; and
  - (3) the Secretary of Housing and Urban Development should report to the Congress not later than 180 days after

the date of the enactment of this Act regarding the progress the Department is making toward such goal and if progress is not sufficient, the resources needed to make greater progress.

## SEC. 27. MULTIFAMILY HOUSING MORTGAGE LIMITS IN HIGH COST AREAS.

The National Housing Act is amended--

(1) in sections 207(c)(3), 213(b)(2)(B)(i), 221(d)(3)(ii)(II), 221(d)(4)(ii)(II), 231(c)(2)(B), and 234(e)(3)(B) (12 U.S.C. 1713(c)(3), 1715e(b)(2)(B)(i), 1715l(d)(3)(ii)(II), 1715l(d)(4)(ii)(II), 1715v(c)(2)(B), and 1715y(e)(3)(B))--

(A) by striking `140 percent' each place such term appears and inserting `170 percent'; and

(B) by striking `170 percent in high cost areas' each place such term appears and inserting `215 percent in high cost areas'; and

(2) in section 220(d)(3)(B)(iii)(III) (12 U.S.C. 1715k(d)(3)(B)(iii)(III)) by striking `206A' and all that follows through `project-by-project basis' and inserting the following: `206A of this Act) by not to exceed 170 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed 170 percent, or 215 percent in high cost areas, where the Secretary determines it necessary on a project-by-project basis'.

## SEC. 28. DISCOUNT SALES OF MULTIFAMILY PROPERTIES.

There is authorized to be appropriated, for discount sales of multifamily real properties under section 207(l) or 246 of the National Housing Act (12 U.S.C. 1713(l), 1715z-11), section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11), or section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-11a), and for discount loan sales under section 207(k) of the National Housing Act (12 U.S.C. 1713(k)), section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11(k)), or section 204(a) of the Departments of Veterans Affairs and Housing and Urban Development, and

Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-11a(a)), \$5,000,000, for fiscal year 2008.

## SEC. 29. CLARIFICATION OF DISPOSITION OF CERTAIN PROPERTIES.

Notwithstanding any other provision of law, subtitle A of title II of the Deficit Reduction Act of 2005 (12 U.S.C. 1701z-11 note) and the amendments made by such title shall not apply to any transaction regarding a multifamily real property for which--

- (1) the Secretary of Housing and Urban Development has received, before the date of the enactment of such Act, written expressions of interest in purchasing the property from both a city government and the housing commission of such city;
- (2) after such receipt, the Secretary acquires title to the property at a foreclosure sale; and
- (3) such city government and housing commission have resolved a previous disagreement with respect to the disposition of the property.

## SEC. 30. NONCOMPETITIVE SALES BY HUD TO STATES AND LOCALITIES.

Subtitle A of title II of the Deficit Reduction Act of 2005 (Public Law 109-171; 120 Stat. 7) is amended by adding at the end the following new section:

### SEC. 2004. NONCOMPETITIVE SALES IN FISCAL YEAR 2011.

Notwithstanding any other provision of law, the Secretary may not sell any multifamily real property through any discount sale during fiscal year 2011 under the provisions of law referred to in section 2002(a) or any multifamily loan through any discount loan sale during such fiscal year under the provisions referred to in section 2002(b), unless the property or loan is sold for an amount that is equal to or greater than 60 percent of the property market value or loan market value, respectively.

## SEC. 31. USE OF FHA SAVINGS FOR COSTS OF MORTGAGE INSURANCE, HOUSING COUNSELING, FHA

## TECHNOLOGIES, PROCEDURES, AND PROCESSES, AND FOR AFFORDABLE HOUSING GRANT FUND, AND STUDY.

(a) In General- Subject to subsection (c), there is authorized to be appropriated for each fiscal year an amount equal to the net increase for such fiscal year in, except as provided in subsection (b), the negative credit subsidy for the mortgage insurance programs under title II of the National Housing Act resulting from this Act and the amendments made by this Act, for the following purposes in the following amounts:

(1) SINGLE FAMILY HOUSING MORTGAGE INSURANCE- For each fiscal year, for costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of mortgage insurance provided pursuant to section 203(b) of the National Housing Act (12 U.S.C. 1709(b)), the additional amount (not including any costs of such mortgage insurance resulting from this Act or the amendments made by this Act), if any, necessary to ensure that the credit subsidy cost of such mortgage insurance for such fiscal year is \$0.

(2) HOUSING COUNSELING- For each of fiscal years 2008 through 2012, the amount needed to increase funding, for the housing counseling program under section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x), in connection with homebuyers and homeowners with mortgages insured under title II of the National Housing Act, from the amount appropriated for the preceding fiscal year to \$100,000,000.

(3) MORTGAGE INSURANCE TECHNOLOGY, PROCEDURES, PROCESSES, PROGRAM PERFORMANCE, AND SALARIES- For each of fiscal years 2008 through 2012, \$25,000,000 for increasing funding for the purpose of improving technology, procedures, processes, and program performance, and salaries in connection with the mortgage insurance programs under title II of the National Housing Act.

(4) AFFORDABLE HOUSING FUND- For each fiscal year, for an affordable housing fund available for use only for grants to provide affordable rental housing and affordable homeownership opportunities for low-income families, the amount remaining under this section after amounts are made available for such fiscal year in accordance with paragraphs (1), (2), and (3).

(b) Exclusion of Earnings From the Single Family Mortgage Insurance Program- With respect to a fiscal year, the negative credit subsidy determined under subsection (a) shall not include the negative credit subsidy cost for such fiscal year, if any, for mortgage insurance provided pursuant to section 203(b) of the National Housing Act.

(c) Certification- Subsection (a) shall not be effective for a fiscal year unless the Secretary of Housing and Urban Development has, by rule making in accordance with section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section), made a determination that premiums being, or to be, charged during such fiscal year for mortgage insurance under title II of the National Housing Act are established at the minimum amount sufficient to comply with the requirements of section 205(f) of such Act (relating to required capital ratio for the Mutual Mortgage Insurance Fund) and ensure the safety and soundness of the other mortgage insurance funds under such Act, and any negative credit subsidy for such fiscal year resulting from such mortgage insurance programs adequately ensures the efficient delivery and availability of such programs.

(d) Study and Report- The Secretary of Housing and Urban Development shall conduct a study to obtain recommendations from participants in the private residential mortgage lending business and the secondary market for such mortgages on how best to update and upgrade procedures, processes, and technologies for the mortgage insurance programs under title II of the National Housing Act so that the policies and procedures for originating, insuring, and servicing of such mortgages conform with those customarily used by secondary market purchasers of residential mortgage loans. Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress describing the progress made and to be made toward updating and upgrading such procedures, processes, and technology, and providing appropriate staffing for such mortgage insurance programs.

## SEC. 32. LIMITATION ON MORTGAGE INSURANCE PREMIUM INCREASES.

Notwithstanding any other provision of law, including any provision of this Act and any amendment made by this Act--

- (1) the premiums charged for mortgage insurance under any program under the National Housing Act may not be increased above the premium amounts in effect under such program on October 1, 2006, unless the Secretary of Housing and Urban Development determines that, absent such increase, insurance of additional mortgages under such program would, under the Federal Credit Reform Act of 1990, require the appropriation of new budget authority to cover the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a) of such insurance; and
- (2) a premium increase pursuant to paragraph (1) may be made only by rule making in accordance with the procedures under section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section).

### SEC. 33. CIVIL MONEY PENALTIES FOR IMPROPERLY INFLUENCING APPRAISALS.

Paragraph (2) of section 536(b) of the National Housing Act (12 U.S.C. 1735f-14(b)(2)) is amended--

- (1) in subparagraph (B), by striking `or' at the end;
- (2) in subparagraph (C), by striking the period at the end and inserting `; or'; and
- (3) by adding at the end the following new subparagraph:
  - `(D) in the case of an insured mortgage under title II for a 1- to 4-family residence, compensating, instructing, inducing, coercing, or intimidating any person who conducts an appraisal of the property in connection with such mortgage, or attempting to compensate, instruct, induce, coerce, or intimidate such a person, for the purpose of causing the appraised value assigned to the property under the appraisal to be based on any other factor other than the independent judgment of such person exercised in accordance with applicable professional standards.'

### SEC. 34. MORTGAGE INSURANCE PREMIUM REFUNDS.

(a) Authority- The Secretary of Housing and Urban Development shall, to the extent that amounts are made available pursuant to subsection (c), provide refunds of unearned premium charges

paid, at the time of insurance, for mortgage insurance under title II of the National Housing Act (12 U.S.C. 1707 et seq.) to or on behalf of mortgagors under mortgages described in subsection (b).

(b) Eligible Mortgages- A mortgage described in this section is a mortgage on a one- to four-family dwelling that--

(1) was insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.);

(2) is otherwise eligible, under the last sentence of subparagraph (A) of section 203(c)(2) of such Act (12 U.S.C. 1709(c)(2)(A)), for a refund of all unearned premium charges paid on the mortgage pursuant to such subparagraph, except that the mortgage--

(A) was closed before December 8, 2004; and

(B) was endorsed on or after such date.

(c) Authorization of Appropriations- There is authorized to be appropriated for each fiscal year such sums as may be necessary to provide refunds of unearned mortgage insurance premiums pursuant to this section.

## SEC. 35. SAVINGS PROVISION.

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

## SEC. 36. IMPLEMENTATION.

Except as provided in section 23(b), the Secretary of Housing and Urban Development shall by notice establish any additional requirements that may be necessary to immediately carry out the provisions of this Act. The notice shall take effect upon issuance.

Passed the House of Representatives September 18, 2007.

Attest:

LORRAINE C. MILLER,

Clerk.

END

Items 1 through 7 of 7

## Amendments For H.R.1852

1. [H.AMDT.794](#) to [H.R.1852](#) Amendment raises the FHA single family loan limit, by establishing such limit in each area as the lower of (a) 125% of the local median area home price or (b) 175% of the national GSE conforming loan limit; retains the FHA loan floor provision in the reported bill of 65% of the GSE conforming loan limit; and also gives HUD authority to raise these resulting loan limit amounts by up to \$100,000 by area and/or by unit size "if market conditions warrant.". Sponsor: [Rep Cardoza, Dennis A.](#) [CA-18] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment agreed to.

Status: On agreeing to the Cardoza amendment (A001) Agreed to by voice vote.

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2. [H.AMDT.795](#) to [H.R.1852](#) Amendment directs the Secretary of the Department of Housing and Urban Development to provide mortgage insurance premium refunds to eligible borrowers of FHA insured loans, which were closed prior to December 8, 2004, but which were not endorsed until December 8, 2004 or after that date, and authorizes such sums as may be necessary for such refunds.

Sponsor: [Rep Tierney, John F.](#) [MA-6] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment agreed to.

Status: On agreeing to the Tierney amendment (A002) Agreed to by voice vote.

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3. [H.AMDT.796](#) to [H.R.1852](#) Amendment allows qualified down payment assistance providers to participate in the FHA program if certain conditions are satisfied to ensure that the down payment assistance program is legitimate and that the gift that is provided to the homeowner and the home buyer is truly a gift.

Sponsor: [Rep Miller, Gary G.](#) [CA-42] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment agreed to.

Status: On agreeing to the Miller, Gary amendment (A003) Agreed to

by voice vote.

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4. [H.AMDT.797](#) to [H.R.1852](#) Amendment clarifies requirements on reverse mortgages for seniors who own permanent foundation homes on leased land.

Sponsor: [Rep Bishop, Timothy H.](#) [NY-1] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment agreed to.

Status: On agreeing to the Bishop (NY) amendment (A004) Agreed to by voice vote.

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5. [H.AMDT.798](#) to [H.R.1852](#) Amendment sought to remove the funding mechanism in the bill for the Affordable Housing Fund.

Sponsor: [Rep Hensarling, Jeb](#) [TX-5] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment not agreed to.

Status: On agreeing to the Hensarling amendment (A005) Failed by recorded vote: 148 - 280 (Roll no. 873).

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6. [H.AMDT.799](#) to [H.R.1852](#) Amendment requires the Secretary of Housing and Urban Development to ensure high-risk borrowers and borrowers who are applying for zero down-payment loans to receive housing counsel.

Sponsor: [Rep Tiberi, Patrick J.](#) [OH-12] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment agreed to.

Status: On agreeing to the Tiberi amendment Agreed to by voice vote.

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7. [H.AMDT.800](#) to [H.R.1852](#) Amendment in the nature of a substitute sought to replace the language in the bill with the text of H.R. 5121, the Expanding American Homeownership Act of 2006, which passed the House on July 25, 2006.

Sponsor: [Rep Biggert, Judy](#) [IL-13] (introduced 9/18/2007)

Cosponsors (None)

Latest Major Action: 9/18/2007 House amendment not agreed to.

Status: On agreeing to the Biggert amendment (A007) Failed by

recorded vote: 175 - 252 (Roll no. 874).

H.AMDT.794 (A001)

Amends: [H.R.1852](#)

Sponsor: [Rep Cardoza, Dennis A.](#) [CA-18] (offered 9/18/2007)

AMENDMENT DESCRIPTION:

Amendment raises the FHA single family loan limit, by establishing such limit in each area as the lower of (a) 125% of the local median area home price or (b) 175% of the national GSE conforming loan limit; retains the FHA loan floor provision in the reported bill of 65% of the GSE conforming loan limit; and also gives HUD authority to raise these resulting loan limit amounts by up to \$100,000 by area and/or by unit size "if market conditions warrant."

AMENDMENT PURPOSE:

An amendment numbered 2 printed in House Report 110-330 to raise the FHA single family loan limit, by establishing such limit in each area as the lower of (a) 125% of the local median area home price or (b) 175% of the national GSE conforming loan limit; retain the FHA loan floor provision in the reported bill of 65% of the GSE conforming loan limit; and also gives HUD authority to raise these resulting loan limit amounts by up to \$100,000 by area and/or by unit size `if market conditions warrant.'.

STATUS:

9/18/2007 12:51pm:

Amendment (A001) offered by Mr. Cardoza. (consideration: CR [H10463-10465](#); text: CR [H10463](#))

9/18/2007 1:03pm:

On agreeing to the Cardoza amendment (A001) Agreed to by voice vote.