



H.R. 1852 – Expanding American Homeownership Act of 2007

EXECUTIVE SUMMARY

Representative Maxine Waters (D-CA) introduced the Expanding American Homeownership Act of 2007 on March 29, 2007. The bill will be considered on the floor under a structured rule on September 18, 2007.

H.R. 1852 would extend the maximum length for an Federal Housing Administration (FHA) loan term from 35 to 40 years. There is a directive for FHA to serve high risk (FICO score of 560 or lower) borrowers, while lowering up-front fees for high-risk buyers and allowing a zero down payment for first-time home buyers and authorize an increase in FHA loan limits from \$362,000 to \$417,000 or 100 percent of GSE conforming loan limits in high-cost areas, and from \$200,000 to \$271,000 in lower-cost areas.

The bill would also use FHA surpluses to establish an affordable housing grant fund to be used for home purchasing grants for low-income families. In addition the legislation authorizes the HUD Secretary to require mandatory counseling for homebuyers.

According to the Statement of Administration Policy, “the Administration supports legislation to modernize and reform the National Housing Act (NHA) and to ensure that the Federal Housing Administration (FHA) continues to play a key role in serving low- and moderate-income homebuyers.” While it stated that the bill “includes provisions that are essential to maintaining FHA’s core mission of expanding homeownership opportunities for borrowers who are underserved, or not served, by the existing conventional mortgage marketplace,” the Administration raised a number of significant concerns with H.R. 1852 and “looks forward to addressing with Congress as the bill moves through the legislative process.”

The CBO estimates that implementing H.R. 1852 would increase direct spending by \$16 million in 2007 and “would result in a net increase in offsetting collections (a credit against discretionary spending) of \$313 million in 2008 and \$628 million over the 2008-2012 period.”

FLOOR SITUATION

H.R. 1852 is being considered on the floor pursuant to a structured rule. The rule:

- Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Republican Member of the Transportation and Infrastructure Committee.
- Waives all points of order against consideration of the bill except those arising under clause 9 (earmarks) and 10 (PAYGO) of Rule XXI.

- Provides that the amendment in the nature of a substitute recommended by the Financial Services Committee, modified by the self-enacting amendment printed in Part A of the Rules Committee report, shall be considered as adopted in the House and in the Committee of the Whole. The bill as amended shall be considered as an original bill for the purposes of further amendment.
- Makes in order only those amendments printed in Part B of the Rules Committee report.
- Provides one motion to recommit with or without instructions.
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

H.R. 1852, the Expanding American Homeownership Act of 2007, was introduced by Representative Maxine Waters (D-CA) on March 29, 2007. The bill was approved by the Financial Services Committee on May 3, 2007, by a vote of 45 to 19.

The bill is expected to be considered on the floor on September 18, 2007.

BACKGROUND

The Federal Housing Administration (FHA) was created by the National Housing Act of 1934 to broaden homeownership, protect lending institutions, and stimulate the building industry. FHA insures mortgages on single family, multifamily, manufactured homes and hospitals. It is the largest insurer of mortgages in the world; insuring over 34 million properties since its inception in 1934.

During the 1940s, FHA programs helped finance military housing and homes for returning veterans and their families after the war. In the 1950s, 1960s and 1970s, the FHA helped to ignite the production of millions of units of privately-owned apartments for elderly, handicapped and lower income Americans. The FHA moved in to steady falling home prices and made it possible for potential homebuyers to get the financing they needed when recession prompted private mortgage insurers to pull out of oil producing states in the 1980s. By 2001, the nation's homeownership rate had soared to an all time high of 68.1 percent.

The FHA has insured over 34 million home mortgages and 47,205 multifamily project mortgages since 1934. FHA currently has 4.8 million insured single family mortgages and 13,000 insured multifamily projects in its portfolio.

FHA is operated entirely on the fee-income derived from its programs, which means the taxpayer does not pay or subsidize the agency. There are two funds operated by FHA – the Mutual Mortgage Insurance Fund (MMIF) and the General Insurance/Special Risk Fund (GI/SRI).

Despite FHA's ability to pay for itself, there has been debate on the proper role of a government agency in promoting homeownership, including the question on whether or not the agency

should be involved in mortgage insurance activities where the private sector has met the need. While FHA is primarily used for first-time, inner-city, and rural homebuyers, a market where private sector activity has been thought to lag behind, the private sector now argues that it is marketing its products more aggressively in these typically underserved areas and markets per new technologies.

Many proponents of the FHA believe the program must be reformed in order to meet its charter, due to FHA currently lagging behind private-market offerings and sometimes leaving consumers with the only option of costly and risky loans.

During the 109th Congress, H.R. 5121, the Expanding American Homeownership Act, passed the House under suspension by a vote of 415-7 ([Roll no. 400](#)).

	<u>YEAS</u>	<u>NAYS</u>	PRES	<u>NV</u>
REPUBLICAN	218	7		5
DEMOCRATIC	196			5
INDEPENDENT	1			
TOTALS	415	7		10

H.R. 1852 maintains many similarities to H.R. 5121 (109th)/H.R. 1752 (110th), but differs specifically from the legislation that passed the House during the 109th Congress in the following ways:

- Has no low/no down only for first time homebuyers
- Has a directive for FHA to serve high risk (560 or lower) borrowers
- Caps premiums for everyone putting 3% down (including high risk) at current levels
- Gives the HUD Secretary the authority to require mandatory counseling for homebuyers
- Creates an Affordable Housing Fund with FHA reserves.

**Note: Congresswoman Judy Biggert (R-IL) introduced identical legislation to H.R. 5121 for the 110th Congress with H.R. 1752, also titled “The Expanding American Homeownership Act.” H.R. 1752 was introduced the same day as H.R. 1852.*

SUMMARY

Maximum Principal Loan Obligation (Section 3)

- Authorizes an increase in section 203(b)(2) FHA single family mortgage limits.
- Raises the loan limit to the lesser of: (a) 100% of the local median home price, or (b) the nationwide GSE conforming loan limit.
- Raises the nationwide loan floor from 48% to 65% of the conforming loan limit.

**Note: the nationwide GSE conforming loan limit is \$417,000.*

Extension of Mortgage Term (Section 4)

- Authorizes the extension of maximum loan terms on FHA single family loans from 35 to 40 years.

Down Payment Simplifications (Section 5)

- Permits loans up to 97.75 percent of appraised value, in addition to the upfront FHA mortgage premium – while creating new statutory authority to waive this limit for “zero- and lower-down payment borrowers.”
- Retains the current statutory 3 percent cash down payment requirement – except for “zero and lower-down payment borrowers.”

Note: The current loan-to-value limit for a FHA single family loan is approximately 97.75 percent of the home’s value, plus the upfront FHA premium – except that there are separate loan-to-value limits for loans of lower amounts and for loans in states that do not have high closing costs.

Mortgage Insurance Premiums for Zero- and Lower-Down Payment Borrowers (Section 6)

- Establishes that zero- and lower-down payment borrowers are first-time homebuyers that do not comply with the loan-to-value limit or the 3 percent cash down requirement as mentioned in Section 5.
- Establishes that the amount of any single premium payment collected at the same time of insurance may not exceed 3 percent of the amount of the original insured principal obligation of the mortgage.
- Establishes that the amount of any annual premium payment collected may not exceed 0.75 percent of the remaining insured principal obligation of the mortgage.
- Authorizes the Secretary of HUD to redetermine the rates of premiums at least once every 12 months.

Mortgage Insurance Premiums for Standard and Higher-Risk Borrowers (Section 7)

- Defines a “standard risk” borrower as a borrower with a 560 or higher equivalent FICO score that complies with loan-to-value and 3 percent down payment requirements.
- Defines a “higher risk” borrower as a person with a FICO equivalent score below 560.
- Authorizes HUD to underwrite loans for higher risk borrowers.

Risk-Based Mortgage Insurance Premiums (Section 8)

- Authorizes the Secretary to 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.
- Authorizes for a premium structure to be established or changed only by providing notice to mortgagees and to the Congress, at least 30 days before the premium structure is established or changed.
- Authorizes the Secretary to 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.
- Authorizes the Secretary, in establishing premium rates to provide for variations in such rates according to the credit risk associated with the type of mortgage product that is being insured.

Payment Incentives (Section 9)

- Authorizes the Secretary to provide payment incentives for borrowers that make on-time payments for at least the first 5 years of the loan.
- Establishes that for zero-down borrowers, payment incentives would result in a reduction of annual premiums after such period to statutory maximum of .55 percent.
- Establishes that for higher risk borrowers, payment incentives would result in a reduction of annual payments after such period down to the level that would have been charged had they not been higher risk, plus a refund equal to the difference between the higher upfront premium the borrower paid and the premium paid by Standard Risk Borrowers.
- Authorizes HUD to offer payment incentives to borrowers after a period of 3 years of on-time payments.

Borrower Protections for Higher Risk Mortgages (Section 10)

- Authorizes HUD to require pre-purchase counseling for zero and lower down payment borrowers and higher risk borrowers.
- Requires the mortgagee to provide the borrower at the time of loan application a list of HUD-approved housing counseling agencies in the area.
- Requires borrowers applying for zero down and lower down payment loans to be provided written disclosures, either through counseling or at loan application, regarding other mortgage loan options, the additional costs associated with lower down payment loans and the appreciation needed to pay off the loan, including selling costs.
- Establishes that borrowers must be provided with an option, at the time the loan is closed, to receive notice from a housing counseling agency if the borrower were to become 60 days delinquent on the loan.
- Clarifies that at closing, borrowers are to be given disclosures of their payment incentive rights and rights to loss mitigation.

Annual Reports on New Programs and Loss Mitigation (Section 11)

- Requires HUD to annually report on the rates of default and foreclosure of zero and lower down payment and higher risk borrowers, as well as actions HUD has taken with respect to loss mitigation.

Insurance for Single Family Homes with Licensed Child Care Facilities (Section 12)

- Authorizes the amount that is insured under this section to be increased by up to 25 percent if the 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 within the residence, but only if a valid license or certificate of compliance with regulations 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.

** The term 'child care facility' means a facility that has as its purpose the care of children who are less than 12 years of age; and 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).*

Rehabilitation Loans (Section 13)

- Authorizes the Section 203(k) program as an obligation of the Mutual Mortgage Insurance Fund (MMIF), instead of its current status as an obligation of the General Insurance Fund.

Insurance of Condominiums and Manufactured Housing (Section 15)

- Establishes a new limitation on the existing Section 234(c) condominium program, to limit loans in the future to take out financing for multifamily blanket mortgages on FHA insured section 234(d) condominium projects.
- Permits 40 year mortgages.

Mutual Mortgage Insurance Fund (Section 16)

- Creates a Mutual Mortgage Insurance Fund (in this title referred to as the `Fund'), which will 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.
- Establishes that the Secretary has a responsibility to ensure that the Mutual Mortgage Insurance Fund remains financially sound.
- Authorizes the Secretary to provide for an independent actuarial study of the Fund to be conducted annually, which will analyze the financial position of the Fund. The Secretary will submit a report annually to the Congress describing the results of such study and assessing the financial status of the Fund. The report will recommend adjustments to underwriting standards, program participation, or premiums, if necessary, to ensure that the Fund remains financially sound.
- Establishes that if, pursuant to the independent actuarial study of the Fund required, the Secretary determines that the Fund is not meeting the operational goals established 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.
- Establishes that insured mortgages are used in conjunction with the Homeownership Voucher program are obligations of the MMIF and that reverse mortgages insured under section 255 of the National Housing Act are obligations of the MMIF.

Hawaiian Home Lands and Indian Reservations (Section 17)

- Establishes that single family mortgages insured on Hawaiian Home Lands under section 247 and single family mortgages insured on Indian Reservations under section 248 of the National Housing Act obligations of the MMIF.

Home Equity Conversion Mortgages (Section 19)

- Eliminates the current mortgage volume cap on FHA reverse mortgages (also known as Home Equity Conversion (HECM) mortgages).
- Provides for a uniform nationwide mortgage cap on FHA reverse mortgage loans, equal to the GSE conforming loan limit.
- Permits FHA reverse mortgage loans to be used in cooperative units.
- Requires HUD to conduct a study regarding mortgage insurance premiums charged under the program under section 255 of the National Housing Act 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 costs to mortgagors and the financial soundness of the program.

- Requires the Secretary to submit a report to Congress setting forth the results and conclusions of the study within 12 months from the enactment of this Act.

Participation of Mortgage Brokers and Correspondent Lenders (Section 20)

- Establishes that a lender, or mortgage broker, or correspondent lender, is someone who makes, underwrites, and services mortgages; submits to the Secretary the financial audits performed in accordance with the Government Auditing Standards issued by the Comptroller General; meets the minimum net worth requirement that the Secretary must establish; and complies with such other requirements as the Secretary may establish.
- Establishes that a correspondent lender is someone who closes a mortgage in its name but does not underwrite or service the mortgage; posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirements, in –
 - a form satisfactory to the Secretary; and
 - an amount of \$75,000, as such amount is adjusted annually 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; and
 - complies with such other requirements as the Secretary may establish.
- Establishes that a mortgage broker is someone who closes the mortgage in the name of the lender and does not make, underwrite, or service the mortgage; 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; posts a surety bond in accordance with the requirements; and complies with such other requirements as the Secretary may establish.
- Establishes that in addition, to be eligible as a mortgagee under this section, a broker must –
 - Safeguard and account for any money handled for the borrower;
 - Follow reasonable and lawful instructions from the borrower; and
 - Act with reasonable skill, care, and diligence
- Establishes that any broker found by the Secretary to have violated the requirements of this subparagraph may not originate mortgage loans insured under this title.
- Requires the GAO to conduct a study and submit a report to Congress and the Secretary of HUD, upon the expiration of the 42-month period beginning on the date of the enactment of this Act, that will analyze and determine –
 - the extent of 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;
 - 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 the Act;
 - any impact on the costs to the Secretary of HUD of administering the mortgage insurance programs under the title; and

- the extent and effectiveness of the supervision and enforcement, by the Secretary, of the additional authority provided.

Conforming Loan Limit in Disaster Areas (Section 21)

- Authorizes HUD, 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, 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.

Failure to Pay Amounts from Escrow Accounts for Single Family Mortgages (Section 22)

- Establishes that 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 the payment provided for in the mortgage, unless the servicer was not provided notice of the deadline.
 - Establishes that in the case of any failure to make any payment, the information must be submitted to a consumer reporting agency regarding the failure that is adverse to the credit rating or interest of the mortgagor; and
 - Clarifies that in the case of any failure to make a payment for which the servicer fails to reimburse the mortgagor before the expiration of the 60-day period beginning on the deadline to avoid a penalty with respect to the 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 in the amount of any attorneys fees incurred by the mortgagor and attributable to such failure, the Secretary will increase the amount of the penalty for any such failure to reimburse, unless the Secretary determines there are mitigating circumstances.
 - Establishes that in the case of any failure to make any payment, the Secretary may not submit any information to a consumer reporting agency regarding such failure that is adverse to the credit rating or interest of the mortgagor.

Acceptable Identification for FHA Mortgagors (Section 23)

- Establishes that 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:
 - A social security card accompanied by a photo identification card issued by the Federal Government or a State Government; or
 - 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.
 - A passport issued by the United States or a foreign government.

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

Pilot Program for Automated Process for Borrowers without Sufficient Credit History (Section 24)

- Requires the Secretary to 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 pm 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.
- Establishes that 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.
- Requires a GAO report to be submitted to Congress, no later than 2-years following the enactment of this Act, identifying the number of additional mortgagors served using the automated process established 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.

Multifamily Housing Mortgage Limits in High Cost Areas (Section 26)

- Increases maximum FHA multifamily loan limits in high cost areas from 140 percent of the basic loan limit to 170 percent.
- Raises the maximum loan limits on a project-by-project basis where the Secretary determines it necessary, from 170 percent of the basic limit to 215 percent of such limit.

Valuation of Multifamily Properties in Noncompetitive Sales by HUD to States and Localities (Section 27)

- Establishes that when determining the market value of any multifamily real property or multifamily loan for any noncompetitive sale to a State or local government entity, the Secretary will consider, but not be limited to, industry standard appraisal practices, including the cost of repairs needed to bring the property at least to minimum State and local code standards and of maintaining the existing affordability restrictions imposed by the Secretary on the multifamily real property or multifamily loan.

Clarification of Disposition of Certain Properties (Section 28)

- Clarifies that subtitle A of title II of the Deficit Reduction Act of 2005 and the amendments made by the title will not apply to any transaction regarding a multi-family real property for which –
 - the Secretary of HUD 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;
 - after such receipt, the Secretary acquires title to the property at a foreclosure sale; and

- such city government and housing commission have resolved a previous disagreement with respect to the disposition of the property.

Use of FHA Savings for Costs of Mortgage Insurance, Housing Counseling, FHA Technologies, Procedures, and Processes, and for Affordable Housing Grant Fund, and Study (Section 29)

- Reduces the credit subsidy for single-family mortgage insurance to zero.
- Increases funding for housing counseling program up to \$100 million, for each fiscal years 2008-2012.
- Provides up to \$25 million to improve technology, procedures, processes, and program performance, and salaries in connection with the mortgage insurance programs, for each fiscal years 2008-2012.
- Creates an affordable housing trust fund with remaining funds left over from each fiscal year to provide grants to affordable rental housing and affordable homeownership opportunities for low-income families.
- Requires the Secretary of HUD to conduct a study to obtain recommendations from participants in the private residential mortgage lending business and the secondary market on how best to update and upgrade procedures, processes, and technologies for the mortgage insurance programs and to submit a report to Congress no later than 12 months following the enactment of this Act.

**Note: Some Republicans have expressed strong concern over the inclusion of another affordable housing grant fund with savings from increased FHA receipts. Many Republicans argue that if there are extra funds leftover that the funds should be returned to the taxpayers.*

Limitation on Mortgage Insurance Premium Increases (Section 30)

- Establishes that notwithstanding any other provision of law, including any provision of this Act and any amendment made by this Act –
 - 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 HUD determines that, absent such increase, insurance of additional mortgages under such program would require the appropriation of new budget authority to cover the costs of such insurance; and
 - a premium increase pursuant 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).

Savings Provision (Section 31)

- Establishes that any mortgage insured under title II of the National Housing Act before the date of enactment of this title will 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.

Implementation (Section 32)

- Authorizes the Secretary of HUD by notice to establish any additional requirements that may be necessary to immediately carry out the provisions of this Act. The notice will take effect upon issuance.

COST

The CBO estimates that implementing H.R. 1852 would increase direct spending by \$16 million in 2007 and “would result in a net increase in offsetting collections (a credit against discretionary spending) of \$313 million in 2008 and \$628 million over the 2008-2012 period.”

[CBO Estimate, H.R. 1852, Expanding American Homeownership Act of 2007](#)

ADDITIONAL VIEWS

“The Administration supports legislation to modernize and reform the National Housing Act (NHA) and to ensure that the Federal Housing Administration (FHA) continues to play a key role in serving low- and moderate-income homebuyers...H.R. 1852, as reported by the House Financial Services Committee, includes provisions that are essential to maintaining FHA’s core mission of expanding homeownership opportunities for borrowers who are underserved, or not served, by the existing conventional mortgage marketplace...Nonetheless, the Administration has a number of significant concerns with H.R. 1852, which the Administration looks forward to addressing with Congress as the bill moves through the legislative process.” (*Statement of Administration Policy, 9/17/2007*)

AMENDMENTS

(Below are the summaries of the amendments that were made in order by the Rules Committee and may be offered on the floor of the House of Representatives)

1) Rep. John Tierney (D-MA): The 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.

2) Reps. Barney Frank (D-MA) / Gary Miller (R-CA) / Dennis Cardoza (D-CA):
(REVISED) The 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. 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.”

3) Gary Miller (R-CA): The amendment will allow qualified down payment assistance to providers to participate in the FHA Program if certain conditions are satisfied (i.e. no obligation for mortgagor to repay and net worth requirement). The Secretary shall consider as cash or its equivalent any amounts gifted by a family member, the mortgagor’s employer or labor union, or

a qualified homeownership assistance entry, but only if there is no obligation on the part of the mortgagor to repay the gift.

4) Rep. Tim Bishop (D-NY): The amendment would clarify requirements on reverse mortgages for seniors who own permanent foundation homes on leased land.

5) Rep. Jeb Hensarling (R-TX): The amendment strikes the allowable use of FHA savings for an affordable housing fund.

6) Rep. Patrick Tiberi (R-OH): (REVISED) The amendment requires the Secretary to ensure the mortgagor receives counseling at the time of application. Under current language the Secretary may, but is not required to, provide counseling.

7) Rep. Judy Biggert (R-IL): Amendment in the Nature of a Substitute. The substitute amendment would reform for the Federal Housing Administration's (FHA) single-family mortgage insurance activities and would allow FHA to base each borrower's mortgage insurance premiums on the risk that the borrower poses to the FHA Mortgage Insurance Fund, with slight variations. Under this proposal, mortgage insurance premiums will be based on the borrower's credit history, loan-to-value ratio, debt-to-income ratio, and on FHA's historical experience with similar borrowers. This amendment maintains FHA reserves within the insurance fund to preserve the future solvency of the FHA program.

Self-Enacting Amendment that will be considered approved upon adoption of the Rule

1) Reps. Maxine Waters (D-CA) / Barney Frank (D-MA): The amendment includes provisions to facilitate FHA refinancing loans to respond to recent mortgage market developments, perfecting modifications to the bill's provision establishing a surety bond requirement for mortgage broker and loan correspondent participation in FHA, modification of the loan originator fee cap for FHA reverse mortgages, a provision authorizing civil money penalties for actions which improperly influence FHA appraisals, and modifications to ensure compliance with PAYGO.

STAFF CONTACT

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