

111TH CONGRESS
2^D SESSION

H. R. 5072

IN THE SENATE OF THE UNITED STATES

JUNE 10, 2010

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

AN ACT

To improve the financial safety and soundness of the FHA
mortgage insurance program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “FHA Reform Act of
3 2010”.

4 **SEC. 2. MORTGAGE INSURANCE PREMIUMS.**

5 Subparagraph (B) of section 203(c)(2) of the Na-
6 tional Housing Act (12 U.S.C. 1709(c)(2)(B)) is amend-
7 ed—

8 (1) in the matter preceding clause (i)—

9 (A) by striking “shall” and inserting
10 “may”; and

11 (B) by striking “0.50 percent” and insert-
12 ing “1.5 percent”; and

13 (2) in clause (ii), by striking “shall be in an
14 amount not exceeding 0.55 percent” and inserting
15 “may be in an amount not exceeding 1.55 percent”.

16 **SEC. 3. INDEMNIFICATION BY MORTGAGEES.**

17 Section 202 of the National Housing Act (12 U.S.C.
18 1708) is amended by adding at the end the following new
19 subsection:

20 “(i) INDEMNIFICATION BY MORTGAGEES.—

21 “(1) IN GENERAL.—If the Secretary determines
22 that a mortgage executed by a mortgagee approved
23 by the Secretary under the direct endorsement pro-
24 gram or insured by a mortgagee pursuant to the del-
25 egation of authority under section 256 was not origi-
26 nated or underwritten in accordance with the re-

1 requirements established by the Secretary, and the
2 Secretary pays an insurance claim with respect to
3 the mortgage within a reasonable period specified by
4 the Secretary, the Secretary may require the mort-
5 gagee approved by the Secretary under the direct en-
6 dorsement program or the mortgagee delegated au-
7 thority under section 256 to indemnify the Secretary
8 for the loss.

9 “(2) FRAUD OR MISREPRESENTATION.—If
10 fraud or misrepresentation was involved in connec-
11 tion with the origination or underwriting, the Sec-
12 retary may require the mortgagee approved by the
13 Secretary under the direct endorsement program or
14 the mortgagee delegated authority under section 256
15 to indemnify the Secretary for the loss regardless of
16 when an insurance claim is paid.

17 “(3) REQUIREMENTS AND PROCEDURES.—The
18 Secretary shall issue regulations establishing appro-
19 priate requirements and procedures governing the
20 indemnification of the Secretary by the mortgagee.”.

21 **SEC. 4. DELEGATION OF INSURING AUTHORITY.**

22 Section 256 of the National Housing Act (12 U.S.C.
23 1715z–21) is amended—

24 (1) by striking subsection (c);

1 any area, or areas, or on a nationwide basis, not-
2 withstanding section 202(c) of this Act.

3 “(2) PROCEDURE.—The Secretary”.

4 **SEC. 6. DEPUTY ASSISTANT SECRETARY OF FHA FOR RISK**
5 **MANAGEMENT AND REGULATORY AFFAIRS.**

6 (a) ESTABLISHMENT OF POSITION.—Subsection (b)
7 of section 4 of the Department of Housing and Urban De-
8 velopment Act (42 U.S.C. 3533(b)) is amended—

9 (1) by inserting “(1)” after “(b)”; and

10 (2) by adding at the end the following new
11 paragraph:

12 “(2) There shall be in the Department, within the
13 Federal Housing Administration, a Deputy Assistant Sec-
14 retary for Risk Management and Regulatory Affairs, who
15 shall be appointed by the Secretary and shall be respon-
16 sible to the Federal Housing Commissioner for all matters
17 relating to managing and mitigating risk to the mortgage
18 insurance funds of the Department and ensuring the per-
19 formance of mortgages insured by the Department.”.

20 (b) TERMINATION.—Upon the appointment and con-
21 firmation of the initial Deputy Assistant Secretary for
22 Risk Management and Regulatory Affairs pursuant to sec-
23 tion 4(b)(2) of the Department of Housing and Urban De-
24 velopment Act, as amended by subsection (a) of this sec-
25 tion, the position of chief risk officer within the Federal

1 Housing Administration, filled by appointment by the
2 Federal Housing Commissioner, is abolished.

3 **SEC. 7. USE OF OUTSIDE CREDIT RISK ANALYSIS SOURCES.**

4 Section 202 of the National Housing Act (12 U.S.C.
5 1708), as amended by the preceding provisions of this Act,
6 is further amended by adding at the end the following new
7 subsection:

8 “(j) USE OF OUTSIDE CREDIT RISK ANALYSIS
9 SOURCES.—The Secretary may obtain the services of, and
10 enter into contracts with, private and other entities out-
11 side of the Department in—

12 “(1) analyzing credit risk models and practices
13 employed by the Department in connection with
14 such mortgages;

15 “(2) evaluating underwriting standards applica-
16 ble to such mortgages insured by the Department;
17 and

18 “(3) analyzing the performance of lenders in
19 complying with, and the Department in enforcing,
20 such underwriting standards.”.

21 **SEC. 8. REVIEW OF MORTGAGEE PERFORMANCE.**

22 Section 533 of the National Housing Act (12 U.S.C.
23 1735f–11) is amended—

24 (1) in subsection (a), by inserting after the pe-
25 riod at the end the following: “For purposes of this

1 subsection, the term ‘early default’ means a default
2 that occurs within 24 months after a mortgage is
3 originated or such alternative appropriate period as
4 the Secretary shall establish.”;

5 (2) in subsection (b), by inserting after the pe-
6 riod at the end of the first sentence the following:
7 “The Secretary shall also identify which mortgagees
8 have had a significant or rapid increase, as deter-
9 mined by the Secretary, in the number or percentage
10 of early defaults and claims on such mortgages, with
11 respect to all mortgages originated by the mortgagee
12 or mortgages on housing located in any particular
13 geographic area or areas.”; and

14 (3) by adding at the end the following new sub-
15 sections:

16 “(d) SUFFICIENT RESOURCES.—There is authorized
17 to be appropriated to the Secretary for each of fiscal years
18 2010 through 2014 the amount necessary to provide addi-
19 tional full-time equivalent positions for the Department,
20 or for entering into such contracts as are necessary, to
21 conduct reviews in accordance with the requirements of
22 this section and to carry out other responsibilities relating
23 to ensuring the safety and soundness of the Mutual Mort-
24 gage Insurance Fund.

1 “(e) REPORTING TO CONGRESS.—Not later than 90
2 days after the date of enactment of the FHA Reform Act
3 of 2010 and not less often than annually thereafter, the
4 Secretary shall make available to the Committee on Finan-
5 cial Services of the House of Representatives and the
6 Committee on Banking, Housing, and Urban Affairs of
7 the Senate any information and conclusions pursuant to
8 the reviews required under subsection (a). Such report
9 shall not include detailed information on the performance
10 of individual mortgages.”.

11 **SEC. 9. USE OF NATIONWIDE MORTGAGE LICENSING SYS-**
12 **TEM AND REGISTRY.**

13 (a) USE BY MORTGAGEES, OFFICERS, AND OWNERS;
14 USE FOR INSURED MORTGAGES.—

15 (1) MORTGAGEES, OFFICERS, AND OWNERS.—

16 Section 202 of the National Housing Act (12 U.S.C.
17 1708), as amended by the preceding provisions of
18 this Act, is further amended by adding at the end
19 the following new subsections:

20 “(k) USE OF NATIONWIDE MORTGAGE LICENSING
21 SYSTEM AND REGISTRY FOR MORTGAGEES, OFFICERS,
22 AND OWNERS.—The Secretary may require, as a condition
23 for approval of a mortgagee by the Secretary to originate
24 or underwrite mortgages on single family residences that
25 are insured by the Secretary, that the mortgagee—

1 “(1) obtain and maintain a unique company
2 identifier assigned by the Nationwide Mortgage Li-
3 censing System and Registry, as established by the
4 Conference of State Bank Supervisors and the
5 American Association of Residential Mortgage Regu-
6 lators; and

7 “(2) obtain and maintain, as relates to any and
8 all officers or owners of the mortgagee who are sub-
9 ject to the requirements of the S.A.F.E. Mortgage
10 Licensing Act of 2008, or are otherwise required to
11 register with the Nationwide Mortgage Licensing
12 System and Registry, the unique identifier assigned
13 by the Nationwide Mortgage Licensing System and
14 Registry, as established by the Conference of State
15 Bank Supervisors and the American Association of
16 Residential Mortgage Regulators.”.

17 (2) INSURED MORTGAGES.—Section 203 of the
18 National Housing Act (12 U.S.C. 1709) is amended
19 by adding at the end the following new subsection:

20 “(y) USE OF NATIONWIDE MORTGAGE LICENSING
21 SYSTEM AND REGISTRY FOR INSURED LOANS.—The Sec-
22 retary may require each mortgage insured under this sec-
23 tion to include the unique identifier (as such term is de-
24 fined in section 1503 of the S.A.F.E. Mortgage Licensing
25 act of 2008 (12 U.S.C. 5102)) and any unique company

1 identifier assigned by the Nationwide Mortgage Licensing
2 System and Registry, as established by the Conference of
3 State Bank Supervisors and the American Association of
4 Residential Mortgage Regulators.”.

5 (b) COORDINATION WITH STATE REGULATORY
6 AGENCIES.—Section 202 of the National Housing Act (12
7 U.S.C. 1708), as amended by the preceding provisions of
8 this Act, is further amended by adding at the end the fol-
9 lowing new subsection:

10 “(1) INFORMATION SHARING WITH STATE REGU-
11 LATORY AGENCIES.—

12 “(1) JOINT PROTOCOL ON INFORMATION SHAR-
13 ING.—The Secretary shall, through consultation with
14 State regulatory agencies, pursue protocols for infor-
15 mation sharing, including the appropriate treatment
16 of confidential or otherwise restricted information,
17 regarding either actions described in subsection
18 (c)(3) of this section or disciplinary or enforcement
19 actions by a State regulatory agency or agencies
20 against a mortgagee (as such term is defined in sub-
21 section (c)(7)).

22 “(2) COORDINATION.—To the greatest extent
23 possible, the Secretary and appropriate State regu-
24 latory agencies shall coordinate disciplinary and en-

1 **SEC. 11. ANNUAL ACTUARIAL STUDY AND QUARTERLY RE-**
2 **PORTS ON MUTUAL MORTGAGE INSURANCE**
3 **FUND.**

4 Subsection (a) of section 202 of the National Hous-
5 ing Act (12 U.S.C. 1708(a)) is amended—

6 (1) in the second sentence of paragraph (4), by
7 inserting before the period at the end the following:
8 “, any changes to the current or projected safety
9 and soundness of the Fund since the most recent re-
10 port under this paragraph or paragraph (5), and
11 any risks to the Fund”; and

12 (2) in paragraph (5)—

13 (A) in subparagraph (D), by striking
14 “and” at the end;

15 (B) in subparagraph (E), by striking the
16 period at the end and inserting “; and”;

17 (C) by adding at the end the following:

18 “(F) any other factors that are likely to
19 have an impact on the financial status of the
20 Fund or cause any material changes to the cur-
21 rent or projected safety and soundness of the
22 Fund since the most recent report under para-
23 graph (4).

24 The Secretary may include in the report under this
25 paragraph any recommendations not made in the
26 most recent report under paragraph (4) that may be

1 needed to ensure that the Fund remains financially
2 sound.”.

3 **SEC. 12. REVIEW OF DOWNPAYMENT REQUIREMENTS.**

4 Section 205 of the National Housing Act (12 U.S.C.
5 1711) is amended by adding at the end the following new
6 subsection:

7 “(g) REVIEW OF DOWNPAYMENT REQUIREMENTS.—
8 If, at any time when the capital ratio (as such term is
9 defined in subsection (f)) of the Mutual Mortgage Insur-
10 ance Fund does not comply with the requirement under
11 subsection (f)(1), the Secretary establishes a cash invest-
12 ment requirement, for all mortgages or mortgagors or with
13 respect to any group of mortgages or mortgagors, that ex-
14 ceeds the minimum percentage or amount required under
15 section 203(b)(9), thereafter upon the capital ratio first
16 complying with the requirement under subsection (f)(1)
17 the Secretary shall review such cash investment require-
18 ment and, if the Secretary determines that such percent-
19 age or amount may be reduced while maintaining such
20 compliance, the Secretary shall subsequently reduce such
21 requirement by such percentage or amount as the Sec-
22 retary considers appropriate.”.

1 **SEC. 13. AUTHORIZATION TO PARTICIPATE IN THE ORIGI-**
2 **NATION OF FHA-INSURED LOANS.**

3 (a) SINGLE FAMILY MORTGAGES.—Section 203(b) of
4 the National Housing Act (12 U.S.C. 1709(b)) is amended
5 by striking paragraph (1) and inserting the following new
6 paragraph:

7 “(1) Have been made to a mortgagee approved
8 by the Secretary or to a person or entity authorized
9 by the Secretary under section 202(d)(1) to partici-
10 pate in the origination of the mortgage, and be held
11 by a mortgagee approved by the Secretary as re-
12 sponsible and able to service the mortgage prop-
13 erly.”.

14 (b) HOME EQUITY CONVERSION MORTGAGES.—Sec-
15 tion 255(d) of the National Housing Act (12 U.S.C.
16 1715z–20(d)) is amended by striking paragraph (1) and
17 inserting the following new paragraph:

18 “(1) have been originated by a mortgagee ap-
19 proved by, or by a person or entity authorized under
20 section 202(d)(1) to participate in the origination
21 by, the Secretary;”.

22 **SEC. 14. DEFAULT AND ORIGINATION INFORMATION BY**
23 **LOAN SERVICER AND ORIGINATING DIRECT**
24 **ENDORSEMENT LENDER.**

25 (a) COLLECTION OF INFORMATION.—Paragraph (2)
26 of section 540(b) of the National Housing Act (12 U.S.C.

1 1712 U.S.C. 1735f–18(b)(2)) is amended by adding at the
2 end the following new subparagraph:

3 “(C) For each entity that services insured
4 mortgages, data on the performance of mort-
5 gages originated during each calendar quarter
6 occurring during the applicable collection pe-
7 riod, disaggregated by the direct endorsement
8 mortgagee from whom such entity acquired
9 such servicing.”.

10 (b) **APPLICABILITY.**—Information described in sub-
11 paragraph (C) of section 540(b)(2) of the National Hous-
12 ing Act, as added by subsection (a) of this section, shall
13 first be made available under such section 540 for the ap-
14 plicable collection period (as such term is defined in such
15 section) relating to the first calendar quarter ending after
16 the expiration of the 12-month period that begins on the
17 date of the enactment of this Act.

18 **SEC. 15. THIRD PARTY SERVICER OUTREACH.**

19 (a) **AUTHORITY.**—The Secretary of Housing and
20 Urban Development may, to the extent any amounts for
21 fiscal year 2010 or 2011 are made available in advance
22 in appropriation Acts for reimbursements under this sec-
23 tion, provide reimbursement to servicers of covered mort-
24 gages (as such term is defined in subsection (f)) for costs
25 of obtaining the services of independent third parties

1 meeting the requirements under subsection (b) of this sec-
2 tion to make in-person contact with mortgagors under cov-
3 ered mortgages whose payments under such mortgages are
4 60 or more days past due, solely for the purposes of pro-
5 viding information to such mortgagors regarding—

6 (1) available counseling by housing counseling
7 agencies approved by the Secretary;

8 (2) available mortgage loan modification, refi-
9 nance, and assistance programs; and

10 (3) available counseling regarding financial
11 management and credit risk.

12 (b) QUALIFIED INDEPENDENT THIRD PARTIES.—An
13 independent third party meets the requirements of this
14 subsection if the third party—

15 (1) is an entity, including a housing counseling
16 agency approved by the Secretary, that meets stand-
17 ards, qualifications, and requirements (including re-
18 garding foreclosure prevention training, quality mon-
19 itoring, safeguarding of non-public information) es-
20 tablished by the Secretary for purposes of this sec-
21 tion for in-person contact about available mortgage
22 loan modification, refinance, and assistance pro-
23 grams; and

24 (2) does not charge any fees or require other
25 payments, directly or indirectly, from any mortgagor

1 for making in-person contact and providing informa-
2 tion and documents under this section.

3 (c) TREATMENT OF PERSONAL, NON-PUBLIC, AND
4 CONFIDENTIAL INFORMATION.—An independent third
5 party whose services are obtained using amounts made
6 available for use under this section and the mortgage
7 servicer obtaining such services shall not use, disclose, or
8 distribute any personal, non-public, or confidential infor-
9 mation about a mortgagor obtained during an in-person
10 contact with the mortgagor, except for purposes of engag-
11 ing in the process of modification or refinance of the cov-
12 ered mortgage.

13 (d) DATE OF CONTACT AND DISCLOSURES.—Each
14 independent third party whose services are obtained by a
15 mortgage servicer using amounts made available for use
16 under this section shall—

17 (1) initiate in-person contact with a mortgagor
18 not later than 10 days after the date upon which
19 payments under the covered mortgage of the mort-
20 gagor become 60 days past due; and

21 (2) upon making in-person contact with a mort-
22 gagor, provide the mortgagor with a written docu-
23 ment that discloses—

1 (A) the name of, and contact information
2 for, the independent third party and the mort-
3 gage servicer;

4 (B) that the independent third party has
5 contracted with the mortgage servicer to pro-
6 vide the in-person contact at no charge to the
7 mortgagor;

8 (C) that the independent third party is an
9 agent of the mortgage servicer;

10 (D) that the in-person contact with the
11 mortgagor consists of providing information
12 about available counseling by a housing coun-
13 seling agency approved by the Secretary and
14 available mortgage loan modification, refinance,
15 and assistance programs;

16 (E) that the independent third party and
17 the mortgage servicer are prohibited from the
18 use, disclosure, or distribution of personal, non-
19 public, and confidential information about the
20 mortgagor, obtained during the in-person con-
21 tact, except for purposes of engaging in the
22 process of modification or refinance of the cov-
23 ered mortgage;

24 (F) any other information that the Sec-
25 retary determines should be disclosed.

1 (e) PRIORITY.—In providing reimbursements under
2 this section, the Secretary of Housing and Urban Develop-
3 ment shall provide priority to independent third parties
4 serving mortgagors under covered mortgages in areas ex-
5 perencing a mortgage foreclosure rate and unemployment
6 rate higher than the national average for the most recent
7 12-month period for which satisfactory data are available.

8 (f) DEFINITION OF COVERED MORTGAGE.—For pur-
9 poses of this section, the term “covered mortgage” means
10 a mortgage on a 1- to 4-family residence insured under
11 the provisions of subsection (b) or (k) of section 203, sec-
12 tion 234(e), or 251 of the National Housing Act (12
13 U.S.C. 1709, 1715y, 1715z–16).

14 **SEC. 16. GAO REPORT ON FHA.**

15 Not later than the expiration of the 12-month period
16 beginning on the date of the enactment of this Act, the
17 Comptroller General of the United States shall submit to
18 the Congress a report on the single family mortgage insur-
19 ance programs of the Secretary of Housing and Urban De-
20 velopment and the Mutual Mortgage Insurance Fund es-
21 tablished under section 202(a) of the National Housing
22 Act (12 U.S.C. 1708(a)) that—

23 (1) analyzes such Fund, the economic net
24 worth, capital ratio, and unamortized insurance-in-
25 force (as such terms are defined in section 205(f)(4)

1 of such Act (12 U.S.C. 1711(f)(4)) of such Fund,
2 the risks to the Fund, how the capital ratio of the
3 Fund affects the mortgage insurance programs
4 under the Fund and the broader housing market,
5 the extent to which the housing markets are more
6 dependent on mortgage insurance provided through
7 the Fund since the financial crisis began in 2008,
8 and the exposure of the taxpayers for obligations of
9 the Fund;

10 (2) analyzes the methodology for determining
11 the Fund's capital ratio under section 205(f) of such
12 Act and examines alternative methods for assessing
13 the Fund's financial condition and their potential
14 impacts on the Fund's ability to meet the oper-
15 ational goals under section 202(a)(7) of such Act;

16 (3) analyzes the potential effects of the in-
17 creases in the limits on the maximum principal obli-
18 gation of mortgages made by the FHA Moderniza-
19 tion Act of 2008 (title I of division B of Public Law
20 110–289), section 202 of the Economic Stimulus
21 Act of 2008 (Public Law 110–185; 122 Stat. 620),
22 section 1202 of division A of the American Recovery
23 and Reinvestment Act of 2009 (Public Law 111–5;
24 123 Stat. 225), and section 166 of the Continuing
25 Appropriations Resolution, 2010 (as added by sec-

1 tion 104 of division B of Public Law 111–88; 123
2 Stat. 29723) on—

3 (A) the risks to and safety and soundness
4 of the Fund;

5 (B) the impact on the affordability and
6 availability of mortgage credit for borrowers for
7 loans authorized under such higher loan limits;

8 (C) the private market for residential
9 mortgage loans that are not insured by the Sec-
10 retary of Housing and Urban Development; and

11 (D) the Federal National Mortgage Asso-
12 ciation and the Federal Home Loan Mortgage
13 Corporation; and

14 (4) analyzes the impact on affordability to FHA
15 borrowers, and the impact to the Fund, of seller
16 concessions or contributions to a borrower pur-
17 chasing a residence using a mortgage that is insured
18 by the Secretary.

19 **SEC. 17. AUTHORITY TO ESTABLISH HIGHER MINIMUM**
20 **CASH INVESTMENT REQUIREMENT.**

21 (a) **AUTHORITY.**—Paragraph (9) of section 203(b) of
22 the National Housing Act (12 U.S.C. 1709(b)(9)) is
23 amended by adding at the end the following new subpara-
24 graph:

1 “(D) AUTHORITY TO ESTABLISH HIGHER
2 MINIMUM REQUIREMENT.—The Secretary may
3 establish a higher minimum cash investment re-
4 quirement than the minimum requirement
5 under subsection (a), for all mortgagors or a
6 certain class or classes of mortgagors, which
7 may be based on criteria related to borrowers’
8 credit scores or other industry standards re-
9 lated to borrowers’ financial soundness. In es-
10 tablishing such a higher minimum cash invest-
11 ment requirement, the Secretary shall take into
12 consideration the findings of the most recent
13 annual report to the Congress on minimum
14 cash investments pursuant to section 16(b) of
15 the FHA Reform Act of 2010.”.

16 (b) REPORT.—Not later than the expiration of the
17 12-month period beginning on the date of the enactment
18 of this Act and annually thereafter, the Secretary of Hous-
19 ing and Urban Development shall submit to the Com-
20 mittee on Financial Services of the House of Representa-
21 tives and the Committee on Banking, Housing, and Urban
22 Affairs of the Senate a report detailing the implementa-
23 tion of the minimum cash investment requirements under
24 section 203(b)(9) of the National Housing Act (12 U.S.C.
25 1709(b)(9)) and discussing and analyzing options for pro-

1 posed changes to such requirements, including changes
2 that would take into account borrowers' credit scores or
3 other industry standards related to borrowers' financial
4 soundness. Such report shall—

5 (1) analyze the impacts that any actual or pro-
6 posed such changes are projected to have on—

7 (A) the financial soundness of the Mutual
8 Mortgage Insurance Fund;

9 (B) the housing finance market of the
10 United States; and

11 (C) the number of borrowers served by the
12 Federal Housing Administration;

13 (2) explain the reasons for any actual or pro-
14 posed such changes in the such requirements made
15 since the last report under this subsection;

16 (3) evaluate the impact of any actual or pro-
17 posed such changes in such requirements on the Mu-
18 tual Mortgage Insurance Fund;

19 (4) evaluate the impacts of any actual or pro-
20 posed such changes on potential mortgagors under
21 mortgages on one- to four-family dwellings insured
22 by the Secretary under the National Housing Act;
23 and

1 (5) evaluate the impact of any actual or pro-
2 posed such changes on the soundness of the housing
3 market in the United States.

4 **SEC. 18. MORTGAGE INSURANCE PREMIUM REFUNDS.**

5 (a) **AUTHORITY.**—The Secretary of Housing and
6 Urban Development shall, to the extent that amounts are
7 made available pursuant to subsection (c), provide refunds
8 of unearned premium charges paid at the time of insur-
9 ance for mortgage insurance under title II of the National
10 Housing Act (12 U.S.C. 1707 et seq.) to or on behalf of
11 mortgagors under mortgages described in subsection (b).

12 (b) **ELIGIBLE MORTGAGES.**—A mortgage described
13 in this section is a mortgage on a one- to four-family
14 dwelling that—

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

17 (2) is otherwise eligible, under the last sentence
18 of subparagraph (A) of section 203(c)(2) of such Act
19 (12 U.S.C. 1709(c)(2)(A)), for a refund of all un-
20 earned premium charges paid on the mortgage pur-
21 suant to such subparagraph, except that the mort-
22 gage—

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

24 and

25 (B) was endorsed on or after such date.

1 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
2 authorized to be appropriated for each fiscal year such
3 sums as may be necessary to provide refunds of unearned
4 mortgage insurance premiums pursuant to this section.

5 **SEC. 19. MAXIMUM MORTGAGE AMOUNT LIMITS FOR MUL-**
6 **TIFAMILY HOUSING.**

7 (a) ELEVATOR-TYPE STRUCTURES.—

8 (1) AMENDMENTS.—The National Housing Act
9 is amended in each of the provisions specified in
10 paragraph (2)—

11 (A) by inserting “with sound standards of
12 construction and design” after “elevator-type
13 structures” the first place such term appears;
14 and

15 (B) by striking “to not to exceed” and all
16 that follows through “sound standards of con-
17 struction and design” each place such terms ap-
18 pear and inserting “by not more than 50 per-
19 cent of the amounts specified for each unit
20 size”.

21 (2) PROVISIONS AMENDED.—The provisions of
22 the National Housing Act specified in this para-
23 graph are as follows:

24 (A) Subparagraph (A) of section 207(c)(3)
25 (12 U.S.C. 1713(c)(3)(A)).

1 (B) Subparagraph (A) of section 213(b)(2)
2 (12 U.S.C. 1715e(b)(2)(A)).

3 (C) Subclause (I) of section
4 220(d)(3)(B)(iii) (12 U.S.C.
5 1715k(d)(3)(B)(iii)(I)).

6 (D) In section 221(d) (12 U.S.C.
7 1715l(d))—

8 (i) subclause (I) of paragraph (3)(ii);

9 and

10 (ii) subclause (I) of paragraph (4)(ii).

11 (E) Subparagraph (A) of section 231(e)(2)
12 (12 U.S.C. 1715v(e)(2)(A)).

13 (F) Subparagraph (A) of section 234(e)(3)
14 (12 U.S.C. 1715y(e)(3)(A)).

15 (b) EXTREMELY HIGH-COST AREAS.—Section 214 of
16 the National Housing Act (12 U.S.C. 1715d) is amend-
17 ed—

18 (1) in the first sentence—

19 (A) by inserting “, or with respect to
20 projects consisting of more than four dwelling
21 units located in an extremely high-cost area as
22 determined by the Secretary” after “or the Vir-
23 gin Islands” the first place such term appears;

24 (B) by inserting “, or to construct projects
25 consisting of more than four dwelling units on

1 property located in an extremely high-cost area
2 as determined by the Secretary” after “or the
3 Virgin Islands” the second place such term ap-
4 pears; and

5 (C) by inserting “, or with respect to
6 projects consisting of more than four dwelling
7 units located in an extremely high-cost area as
8 determined by the Secretary” after “or the Vir-
9 gin Islands” the third place such term appears;
10 (2) in the second sentence—

11 (A) by inserting “, or with respect to a
12 project consisting of more than four dwelling
13 units located in an extremely high-cost area as
14 determined by the Secretary,” after “or the Vir-
15 gin Islands” the first place such term appears;
16 and

17 (B) by inserting “, or in the case of a
18 project consisting of more than four dwelling
19 units in an extremely high-cost area as deter-
20 mined by the Secretary, in such extremely high-
21 cost area,” after “or the Virgin Islands” the
22 second place such term appears; and

23 (3) in the section heading, by striking “AND
24 THE VIRGIN ISLANDS” and inserting “THE VIRGIN
25 ISLANDS, AND EXTREMELY HIGH-COST AREAS”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to mortgages insured under title
3 II of the National Housing Act after September 30, 2010.

4 **SEC. 20. SPECIAL FORBEARANCE FOR MORTGAGORS WITH**
5 **CHINESE DRYWALL.**

6 The provisions of Mortgagee Letter 2002–17 of the
7 Secretary of Housing and Urban Development (regarding
8 “Special Forbearance: Program Changes and Updates”)
9 relating to Type I Special Forbearance shall apply, until
10 the conclusion of fiscal year 2011 and may not be revoked,
11 annulled, repealed, or rescinded during such period, with
12 respect to mortgagees of mortgages insured under title II
13 of the National Housing Act that are secured by one- to
14 four-family dwellings that have problem or damaging
15 drywall products.

16 **SEC. 21. INCREASED LOAN LIMITS FOR DESIGNATED COUN-**
17 **TIES.**

18 (a) AUTHORITY.—Notwithstanding any other provi-
19 sion of law, the Secretary of Housing and Urban Develop-
20 ment (in this section referred to as the “Secretary”) may
21 increase the dollar amount limitations on the principal ob-
22 ligation of mortgages otherwise determined under section
23 203(b)(2) of the National Housing Act for any county that
24 is designated under this section.

25 (b) PROCEDURE.—

1 (1) FEDERAL REGISTER NOTICE.—Any designa-
2 tion of a county under this section shall be made
3 only pursuant to application by the county for such
4 designation, in accordance with procedures that the
5 Secretary may establish. The Secretary may estab-
6 lish such procedures only by publication in the Fed-
7 eral Register not later than 60 days after the date
8 of the enactment of this Act.

9 (2) FINAL DETERMINATION.—If the Secretary
10 establishes procedures for applications under para-
11 graph (1) and receives a completed application for
12 designation under this section of a county in accord-
13 ance with such procedures, the Secretary shall issue
14 a final determination regarding such application for
15 designation, based on the criteria under subsection
16 (c), not later than 60 days after such receipt.

17 (c) DETERMINATION CRITERIA.—The Secretary may
18 designate an applicant county under this section only if
19 the county is located within a micropolitan area (as such
20 term is defined by the Director of the Office of Manage-
21 ment and Budget) and meets the following criteria:

22 (1) More than 70 percent of the border of the
23 applicant county abuts two or more metropolitan
24 statistical areas (as such term is defined by the Di-
25 rector of the Office of Management and Budget) for

1 which each dollar amount limitation on the principal
2 obligation of a mortgage that may be insured under
3 section 203 of the National Housing Act, in effect
4 at the time of such determination, is at least 40 per-
5 cent greater than the dollar amount limitation for
6 the same size residence for the applicant county. For
7 purposes of such calculation, the dollar amount limi-
8 tations of such abutting counties shall not include
9 any increase attributable to the authority under this
10 section.

11 (2) The applicant county has experienced sig-
12 nificant population growth, as evidenced by an in-
13 crease of 15 percent or more during the 10 years
14 preceding the application, according to statistics of
15 the United States Census Bureau or such other ap-
16 propriate criteria as the Secretary shall establish.

17 (3) The dollar amount limitation on the prin-
18 cipal obligation of a mortgage on housing in the ap-
19 plicant county that may be insured under section
20 203 of the National Housing Act, in effect at the
21 time of such application, is the minimum such dollar
22 amount limitation allowable under the matter that
23 follows clause (ii) in section 203(b)(2)(A) of the Na-
24 tional Housing Act.

1 (d) ESTABLISHMENT OF LOAN LIMITS.—For a coun-
2 ty designated under this section, the Secretary may in-
3 crease the maximum dollar amount limitations on the
4 principal obligation of mortgages otherwise determined
5 under section 203(b)(2) of the National Housing Act to
6 such levels as are appropriate, taking into consideration
7 the criteria established for such designation, but not to
8 exceed the dollar amount limitations for the abutting met-
9 ropolitan statistical area meeting the requirements of sub-
10 section (c)(1) that has the lowest such dollar amount limi-
11 tations.

12 (e) EFFECTIVE DATE AND TERM OF DESIGNATION
13 OF NEW COUNTYWIDE LOAN LIMITS.—A designation of
14 a county under this section, and the maximum dollar
15 amount limitations for such county pursuant to subsection
16 (d), shall—

17 (1) take effect upon the expiration of the 60-
18 day period that begins upon the final determination
19 for the county referred to in subsection (b)(2); and

20 (2) remain in effect until the end of the cal-
21 endar year in which such designation takes effect.

22 (f) LOAN LIMITS FOR SUCCEEDING YEARS.—With
23 respect to each calendar year immediately following the
24 calendar year in which a county is designated under this
25 subsection, the Secretary may, notwithstanding any other

1 provision of law, continue or adjust the dollar amount limi-
2 tations in effect pursuant to this section for such des-
3 ignated county for such preceding year, as appropriate,
4 consistent with the criteria under this section.

5 **SEC. 22. IDENTIFICATION REQUIREMENTS FOR BOR-**
6 **ROWERS.**

7 Section 203 of the National Housing Act (12 U.S.C.
8 1709), as amended by the preceding provisions of this Act,
9 is further amended by adding at the end the following new
10 subsection:

11 “(z) IDENTIFICATION REQUIREMENTS FOR BOR-
12 ROWERS.—No mortgage on a 1- to 4-family dwelling may
13 be insured under this title unless the mortgagor under
14 such mortgage—

15 “(1) provides a valid Social Security Number;
16 and

17 “(2) is (A) a United States citizen, (B) a lawful
18 permanent resident alien, or (C) a non-permanent
19 resident alien who legally resides in and is author-
20 ized to work in the United States.

21 The Secretary shall establish policies under which mortga-
22 gees verify compliance with the requirements under this
23 subsection.”.

1 **SEC. 23. REQUIRED CERTIFICATIONS.**

2 Section 203 of the National Housing Act (12 U.S.C.
3 1709), as amended by the preceding provisions of this Act,
4 is further amended by adding at the end the following new
5 subsection:

6 “(z) **REQUIRED CERTIFICATIONS.**—Notwithstanding
7 any other provision of law, the Secretary may not insure
8 any mortgage secured by a one- to four-family dwelling
9 unless the mortgagor under such mortgage certifies, under
10 penalty of perjury, that the mortgagor has not been con-
11 victed of a sex offense against a minor (as such terms are
12 defined in section 111 of the Sex Offender Registration
13 and Notification Act (42 U.S.C. 16911)).”

14 **SEC. 24. PROHIBITION ON USE OF FUNDS FOR CERTAIN**
15 **FEDERAL EMPLOYEES.**

16 None of the funds authorized under this Act or any
17 amendment made by this Act may be used to pay the sal-
18 ary of any individual engaged in activities related to title
19 II of the National Housing Act who has been officially
20 disciplined for violations of subpart G of the Standards
21 of Ethical Conduct for Employees of the Executive Branch
22 for viewing, downloading, or exchanging pornography, in-
23 cluding child pornography, on a Federal Government com-
24 puter or while performing official Federal Government du-
25 ties.

1 **SEC. 25. PROHIBITION OF MORTGAGE INSURANCE FOR**
2 **BORROWERS WITH STRATEGIC DEFAULTS.**

3 Section 203 of the National Housing Act (12 U.S.C.
4 1709), as amended by the preceding provisions of this Act,
5 is further amended by adding at the end the following new
6 subsection:

7 “(z) PROHIBITION OF MORTGAGE INSURANCE FOR
8 BORROWERS WITH STRATEGIC DEFAULTS.—

9 “(1) PROHIBITION.—The Secretary may not
10 newly insure any mortgage under this title that is
11 secured by a 1- to 4-family dwelling unless the mort-
12 gagee has determined, in accordance with such
13 standards and requirements established by the Sec-
14 retary, that the mortgagor under such mortgage has
15 not previously engaged in any strategic default with
16 respect to any residential mortgage loan.

17 “(2) STRATEGIC DEFAULT.—For purposes of
18 this subsection, the term ‘strategic default’ means,
19 with respect to a residential mortgage loan, an in-
20 tentional default having such characteristics or
21 under such circumstances as the Secretary shall, by
22 regulation, provide.”.

23 **SEC. 26. PROHIBITION ON TAXPAYER BAILOUT OF FHA**
24 **PROGRAM.**

25 Section 205 of the National Housing Act (12 U.S.C.
26 1711), as amended by the preceding provisions of this Act,

1 is further amended by adding at the end the following new
2 subsection:

3 “(h) TAXPAYER PROTECTION.—The Secretary shall
4 use all available actions and methods authorized under law
5 to ensure compliance with subsection (f)(2) and to protect
6 the taxpayers of the United States from financial responsi-
7 bility for any obligations of the Fund, including authority
8 to increase insurance premiums charged under this title
9 for mortgages that are obligations of the Fund, authority
10 to establish more stringent underwriting standards for
11 such mortgages, and authority to increase the amount of
12 cash or its equivalent required to be paid on account of
13 the property subject to such a mortgage.”.

Passed the House of Representatives June 10, 2010.

Attest:

LORRAINE C. MILLER,

Clerk.