

107TH CONGRESS
1ST SESSION

S. 1195

To amend the National Housing Act to clarify the authority of the Secretary of Housing and Urban Development to terminate mortgagee origination approval for poorly performing mortgagees.

IN THE SENATE OF THE UNITED STATES

JULY 18, 2001

Mr. SARBANES (for himself, Ms. MIKULSKI, Mr. BOND, Mr. REID, Mr. SCHUMER, Mr. CORZINE, and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the National Housing Act to clarify the authority of the Secretary of Housing and Urban Development to terminate mortgagee origination approval for poorly performing mortgagees.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Credit Watch Act of
5 2001”.

1 **SEC. 2. CLARIFICATION OF AUTHORITY FOR HUD TO TER-**
2 **MINATE MORTGAGEE ORIGINATION AP-**
3 **PROVAL FOR POORLY PERFORMING MORT-**
4 **GAGEES.**

5 Section 533 of the National Housing Act (12 U.S.C.
6 1735f–11) is amended to read as follows:

7 **“SEC. 533. REVIEW OF MORTGAGEE PERFORMANCE AND**
8 **AUTHORITY TO TERMINATE MORTGAGEE**
9 **ORIGINATION APPROVAL.**

10 “(a) IN GENERAL.—To reduce losses in connection
11 with single family mortgage insurance programs under
12 this Act, at least once a year, the Secretary shall—

13 “(1) review the indicators of portfolio risk for
14 insured single family mortgages originated or under-
15 written by each mortgagee, which indicators shall be
16 prescribed by the Secretary by regulation and shall
17 include the rates of early defaults and claims; and

18 “(2) with respect to each mortgagee, compare
19 those indicators of portfolio risk for insured single
20 family mortgage loans originated or underwritten by
21 the mortgagee with the comparable indicators for
22 other mortgagees originating or underwriting in-
23 sured single family mortgage loans in the same area.

24 “(b) TERMINATION OF MORTGAGEE ORIGINATION
25 APPROVAL.—

1 “(1) IN GENERAL.—Notwithstanding section
2 202(c), if, based on a comparison under subsection
3 (a)(2) of this section, the Secretary determines that
4 the mortgage loans originated or underwritten by a
5 mortgagee present an unacceptable risk to the insur-
6 ance funds, the Secretary may terminate the ap-
7 proval of that mortgagee to originate or underwrite
8 single family mortgages.

9 “(2) REGULATIONS.—A determination under
10 paragraph (1) shall be made in accordance with reg-
11 ulations issued by the Secretary (which may include
12 any regulation published before the date of enact-
13 ment of this section, as determined by the Sec-
14 retary).

15 “(3) TERMINATION PROCEDURES.—

16 “(A) NOTICE.—Not less than 60 days
17 prior to the effective date of a termination
18 under this subsection, the Secretary shall pro-
19 vide written notice of such termination to the
20 mortgagee.

21 “(B) MEETING.—

22 “(i) WRITTEN REQUEST.—Not later
23 than 30 days after receiving a written no-
24 tice under subparagraph (A), the mort-
25 gagee may submit to the Secretary a writ-

1 ten request for a meeting regarding the
2 termination.

3 “(ii) RECEIPT OF REQUEST.—Upon
4 receipt of a written request under this sub-
5 paragraph, the Secretary shall provide the
6 mortgagee with a meeting with the official
7 authorized to issue termination notices on
8 behalf of the Secretary (or a designee of
9 that official).

10 “(iii) FACTORS FOR DEFAULT.—At
11 the meeting provided under this subpara-
12 graph, the mortgagee may present for con-
13 sideration specific factors that the mort-
14 gagee believes were beyond the control of
15 the mortgagee that contributed to the ex-
16 cessive default and claim rate.

17 “(C) EFFECTIVE DATE.—A termination
18 under this subsection shall take effect 60 days
19 after the date on which written notice is pro-
20 vided to the mortgagee under subparagraph
21 (A), unless the Secretary withdraws the termi-
22 nation notice or extends the notice period.

23 “(c) AREA DEFINED.—In this section, the term
24 ‘area’ means each geographic area in which the mortgagee

1 is authorized by the Secretary to originate insured single-
2 family mortgages.”.

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