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2D SESSION

S. 3119

To stimulate the economy by encouraging energy efficiency, infrastructure and workforce investment, and homeownership retention, and by amending the Internal Revenue Code of 1986 to provide certain business tax relief and incentives, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 12, 2008

Ms. COLLINS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To stimulate the economy by encouraging energy efficiency, infrastructure and workforce investment, and homeownership retention, and by amending the Internal Revenue Code of 1986 to provide certain business tax relief and incentives, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Economic Recovery Act of 2008”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TAX PROVISIONS

Sec. 101. Credit for replacement of wood-burning stoves meeting environmental standards.

Sec. 102. Renewable electricity production credit.

Sec. 103. Permanent increase in limitations on expensing of certain depreciable business assets; study on expensing limits.

Sec. 104. 15-year straight-line cost recovery for qualified restaurant property.

TITLE II—ENERGY PROVISIONS

Sec. 201. Weatherization assistance.

Sec. 202. Energy Star programs.

TITLE III—TRANSPORTATION PROVISIONS

Subtitle A—Build America Bonds

Sec. 301. Credit to holders of Build America bonds.

Sec. 302. Transportation Finance Corporation.

Subtitle B—Commercial Truck Fuel Savings

Sec. 311. Short title.

Sec. 312. Findings.

Sec. 313. Definitions.

Sec. 314. Waiver of highway funding reduction relating to weight of vehicles using Interstate System highways.

Sec. 315. GAO truck safety demonstration report.

Sec. 316. Responsibilities of States.

TITLE IV—WORKFORCE DEVELOPMENT

Sec. 401. Statewide and local workforce investment systems.

TITLE V—HOUSING PROVISIONS

Sec. 501. Insurance of homeownership retention mortgages.

Sec. 502. Study of auction or bulk refinance program.

1 **TITLE I—TAX PROVISIONS**

2 **SEC. 101. CREDIT FOR REPLACEMENT OF WOOD-BURNING** 3 **STOVES MEETING ENVIRONMENTAL STAND-** 4 **ARDS.**

5 (a) IN GENERAL.—Subpart A of part IV of sub-
 6 chapter A of chapter 1 of the Internal Revenue Code of
 7 1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 25D the following new
2 section:

3 **“SEC. 25E. REPLACEMENT OF WOOD-BURNING STOVES.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
5 dividual, there shall be allowed as a credit against the tax
6 imposed by this chapter for the taxable year an amount
7 equal to the qualified stove replacement expenditures paid
8 or incurred by the taxpayer for the taxable year.

9 “(b) LIMITATION.—The amount of the credit under
10 subsection (a) with respect to the replacement of each non-
11 compliant wood stove shall not exceed \$500.

12 “(c) QUALIFIED STOVE REPLACEMENT EXPENDI-
13 TURES.—For purposes of this section—

14 “(1) IN GENERAL.—The term ‘qualified stove
15 replacement expenditures’ means expenditures made
16 by the taxpayer for the purchase and installation of
17 a compliant stove which—

18 “(A) is installed in a dwelling unit located
19 in the United States, and

20 “(B) replaces a noncompliant wood stove
21 used in such dwelling unit.

22 Such term includes expenditures for labor costs
23 properly allocable to the onsite preparation, assem-
24 bly, or original installation of the compliant stove.

1 “(2) COMPLIANT STOVE.—The term ‘compliant
2 stove’ means—

3 “(A) a wood-burning stove which meets the
4 requirements set forth in the ‘Standards of Per-
5 formance for New Residential Wood Heaters’
6 issued by the Environmental Protection Agency,
7 and

8 “(B) a pellet or corn-burning stove.

9 “(3) NONCOMPLIANT WOOD STOVE.—The term
10 ‘noncompliant wood stove’ means any wood-burning
11 stove that is not a compliant stove.

12 “(d) JOINT OCCUPANCY, COOPERATIVE HOUSING
13 CORPORATIONS, AND WHEN EXPENDITURE MADE.—
14 Rules similar to the rules of paragraphs (4), (5), and (8)
15 of section 25D(e) shall apply for purposes of this section.

16 “(e) BASIS ADJUSTMENT.—For purposes of this sub-
17 title, if a credit is allowed under this section for any ex-
18 penditure with respect to any property, the increase in the
19 basis of such property which would (but for this sub-
20 section) result from such expenditure shall be reduced by
21 the amount of the credit so allowed.

22 “(f) TERMINATION.—This section shall not apply to
23 expenditures made after December 31, 2010.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Subsection (a) of section 1016 of the Inter-
2 nal Revenue Code of 1986 is amended—

3 (A) by striking “and” at the end of para-
4 graph (35),

5 (B) by striking the period at the end of
6 paragraph (36) and inserting “, and”, and

7 (C) by adding at the end the following new
8 paragraph:

9 “(37) to the extent provided in section 25E(e),
10 in the case of amounts with respect to which a credit
11 has been allowed under section 25E.”.

12 (2) The table of sections for subpart A of part
13 IV of subchapter A of chapter 1 of such Code is
14 amended by inserting after the item relating to sec-
15 tion 25D the following new item:

 “Sec. 25E. Replacement of wood-burning stoves.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to expenditures for stoves pur-
18 chased after the date of the enactment of this Act.

19 **SEC. 102. RENEWABLE ELECTRICITY PRODUCTION CREDIT.**

20 (a) EXTENSION.—Section 45(d) of the Internal Rev-
21 enue Code of 1986 (relating to qualified facilities) is
22 amended by striking “January 1, 2009” each place it ap-
23 pears in paragraphs (1), (2), (3), (4), (5), and (7) and
24 inserting “January 1, 2012”.

1 (b) REPEAL OF MUNICIPAL SOLID WASTE AS QUALI-
 2 FIED RESOURCE.—

3 (1) IN GENERAL.—Paragraph (1) of section
 4 45(c) of the Internal Revenue Code of 1986 is
 5 amended by inserting “and” at the end of subpara-
 6 graph (F) and by striking subparagraph (G).

7 (2) CONFORMING AMENDMENT.—Subsection (d)
 8 of section 45 of such Code is amended by striking
 9 paragraph (6).

10 (3) EFFECTIVE DATE.—The amendments made
 11 by this subsection shall apply to property placed in
 12 service after the date of the enactment of this Act.

13 (c) EXTENSION OF CREDIT FOR RESIDENTIAL EN-
 14 ERGY EFFICIENT PROPERTY.—Subsection (g) of section
 15 25D of the Internal Revenue Code of 1986 (relating to
 16 termination) is amended by striking “December 31, 2008”
 17 and inserting “December 31, 2012”.

18 **SEC. 103. PERMANENT INCREASE IN LIMITATIONS ON EX-**
 19 **PENSING OF CERTAIN DEPRECIABLE BUSI-**
 20 **NESS ASSETS; STUDY ON EXPENSING LIMITS.**

21 (a) IN GENERAL.—Subsection (b) of section 179 of
 22 the Internal Revenue Code of 1986 (relating to limita-
 23 tions) is amended—

24 (1) by striking “\$25,000” and all that follows
 25 in paragraph (1) and inserting “\$128,000.”,

1 (2) by striking “\$200,000” and all that follows
2 in paragraph (2) and inserting “\$512,000.”,

3 (3) by striking “after 2007 and before 2011,
4 the \$125,000 and \$500,000” in paragraph (5)(A)
5 and inserting “after 2008, the \$128,000 and the
6 \$512,000”,

7 (4) by striking “2006” in paragraph (5)(A)(ii)
8 and inserting “2007”, and

9 (5) by striking paragraph (7).

10 (b) STUDY.—

11 (1) IN GENERAL.—The Secretary of the Treas-
12 ury shall conduct a study on the use and impact of
13 increased limitations on expensing of depreciable
14 business assets under section 179 of the Internal
15 Revenue Code of 1986, including—

16 (A) the use of expensing following the in-
17 crease of limitations in 2003, 2007, and 2008;

18 (B) the impact of higher limitations on ex-
19 pensing on small businesses, including informa-
20 tion on businesses by size and industry; and

21 (C) the impact of higher limitations on ex-
22 pensing on economic activity, including business
23 investment, business expansion, and job growth.

24 (2) REPORT.—The Secretary of the Treasury
25 shall, not later than one year after the date of the

1 enactment of this Act, submit a report on the results
2 of the study required under paragraph (1) to the
3 Committee on Ways and Means of the House of
4 Representatives and the Committee on Finance of
5 the Senate.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2008.

9 **SEC. 104. 15-YEAR STRAIGHT-LINE COST RECOVERY FOR**
10 **QUALIFIED RESTAURANT PROPERTY.**

11 (a) IN GENERAL.—Clause (v) of section 168(e)(3)(E)
12 of the Internal Revenue Code of 1986 (relating to 15-year
13 property) is amended by striking “January 1, 2008” and
14 inserting “January 1, 2010”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to property placed in service after
17 December 31, 2007.

18 **TITLE II—ENERGY PROVISIONS**

19 **SEC. 201. WEATHERIZATION ASSISTANCE.**

20 Section 422 of the Energy Conservation and Produc-
21 tion Act (42 U.S.C. 6872) is amended to read as follows:

22 **“SEC. 422. AUTHORIZATION OF APPROPRIATIONS.**

23 “There are authorized to be appropriated to carry out
24 the weatherization program under this part—

25 “(1) \$1,000,000,000 for fiscal year 2009;

1 “(2) \$1,200,000,000 for fiscal year 2010; and

2 “(3) \$1,400,000,000 for fiscal year 2011.”.

3 **SEC. 202. ENERGY STAR PROGRAMS.**

4 There are authorized to be appropriated for use in
5 carrying out the Energy Star program under section 324A
6 of the Energy Policy and Conservation Act (42 U.S.C.
7 6294a)—

8 (1) to the Administrator of the Environmental
9 Protection Agency, \$100,000,000 for each fiscal
10 year; and

11 (2) to the Secretary of Energy, \$12,000,000 for
12 each fiscal year.

13 **TITLE III—TRANSPORTATION**
14 **PROVISIONS**

15 **Subtitle A—Build America Bonds**

16 **SEC. 301. CREDIT TO HOLDERS OF BUILD AMERICA BONDS.**

17 (a) IN GENERAL.—Subpart H of part IV of sub-
18 chapter A of chapter 1 of the Internal Revenue Code of
19 1986 (relating to nonrefundable credit to holders of cer-
20 tain bonds) is amended by adding at the end the following
21 new section:

22 **“SEC. 54A. CREDIT TO HOLDERS OF BUILD AMERICA**
23 **BONDS.**

24 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
25 a Build America bond on 1 or more credit allowance dates

1 of the bond occurring during any taxable year, there shall
2 be allowed as a credit against the tax imposed by this
3 chapter for the taxable year an amount equal to the sum
4 of the credits determined under subsection (b) with re-
5 spect to such dates.

6 “(b) AMOUNT OF CREDIT.—

7 “(1) IN GENERAL.—The amount of the credit
8 determined under this subsection with respect to any
9 credit allowance date for a Build America bond is 25
10 percent of the annual credit determined with respect
11 to such bond.

12 “(2) ANNUAL CREDIT.—The annual credit de-
13 termined with respect to any Build America bond is
14 the product of—

15 “(A) the applicable credit rate, multiplied
16 by

17 “(B) the outstanding face amount of the
18 bond.

19 “(3) APPLICABLE CREDIT RATE.—For purposes
20 of paragraph (2), the applicable credit rate with re-
21 spect to an issue is the rate equal to an average
22 market yield (as of the day before the date of sale
23 of the issue) on outstanding long-term corporate
24 debt obligations (determined in such manner as the
25 Secretary prescribes).

1 “(4) CREDIT ALLOWANCE DATE.—For purposes
2 of this section, the term ‘credit allowance date’
3 means—

4 “(A) March 15,

5 “(B) June 15,

6 “(C) September 15, and

7 “(D) December 15.

8 Such term includes the last day on which the bond
9 is outstanding.

10 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
11 DEMPTION.—In the case of a bond which is issued
12 during the 3-month period ending on a credit allow-
13 ance date, the amount of the credit determined
14 under this subsection with respect to such credit al-
15 lowance date shall be a ratable portion of the credit
16 otherwise determined based on the portion of the 3-
17 month period during which the bond is outstanding.
18 A similar rule shall apply when the bond is redeemed
19 or matures.

20 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
21 credit allowed under subsection (a) for any taxable year
22 shall not exceed the excess of—

23 “(1) the sum of the regular tax liability (as de-
24 fined in section 26(b)) plus the tax imposed by sec-
25 tion 55, over

1 “(2) the sum of the credits allowable under this
2 part (other than subpart C, section 1400N(1), and
3 this section).

4 “(d) CREDIT INCLUDED IN GROSS INCOME.—Gross
5 income includes the amount of the credit allowed to the
6 taxpayer under this section (determined without regard to
7 subsection (c)) and the amount so included shall be treat-
8 ed as interest income.

9 “(e) BUILD AMERICA BOND.—For purposes of this
10 section, the term ‘Build America bond’ means any bond
11 issued as part of an issue if—

12 “(1) 95 percent or more of the proceeds of such
13 issue are to be used for expenditures incurred after
14 the date of the enactment of this section for 1 or
15 more qualified projects pursuant to an allocation of
16 such proceeds to such project or projects by the
17 Transportation Finance Corporation,

18 “(2) the bond is issued by the Transportation
19 Finance Corporation and is in registered form (with-
20 in the meaning of section 149(a)),

21 “(3) the Transportation Finance Corporation
22 certifies that it meets the State contribution require-
23 ment of subsection (l) with respect to such project,
24 as in effect on the date of issuance,

1 “(4) the Transportation Finance Corporation
2 certifies that the State in which an approved quali-
3 fied project is located meets the requirement de-
4 scribed in subsection (m),

5 “(5) the face amount of such bond, when added
6 to the face amount of all Build America bonds pre-
7 viously issued in the calendar year, does not exceed
8 the Build America bond limitation for such year
9 under subsection (g),

10 “(6) the term of each bond which is part of
11 such issue does not exceed 30 years,

12 “(7) the payment of principal with respect to
13 such bond is the obligation of the Transportation Fi-
14 nance Corporation, and

15 “(8) the issue meets the requirements of sub-
16 section (h).

17 “(f) QUALIFIED PROJECT.—For purposes of this sec-
18 tion, the term ‘qualified project’ means the capital im-
19 provements to any transportation infrastructure project of
20 any governmental unit or other person, including roads,
21 bridges, rail and transit systems, ports, and inland water-
22 ways, proposed by 1 or more States and approved by the
23 Transportation Finance Corporation, but does not include
24 costs of operations or maintenance with respect to such
25 project.

1 “(g) LIMITATION ON AMOUNT OF BONDS DES-
2 IGNATED.—

3 “(1) NATIONAL LIMITATION.—There is a Build
4 America bond limitation for each calendar year.
5 Such limitation is—

6 “(A) \$5,000,000,000 for 2009,

7 “(B) \$5,000,000,000 for 2010,

8 “(C) \$10,000,000,000 for 2011,

9 “(D) \$10,000,000,000 for 2012,

10 “(E) \$10,000,000,000 for 2013,

11 “(F) \$10,000,000,000 for 2014, and

12 “(G) except as provided in paragraph (4),
13 zero thereafter.

14 “(2) MINIMUM ALLOCATIONS TO STATES.—In
15 making allocations for each calendar year under sub-
16 section (e)(1), the Transportation Finance Corpora-
17 tion shall ensure that the amount allocated for quali-
18 fied projects located in each State for such calendar
19 year is not less than 1 percent of the total amount
20 allocated for such year.

21 “(3) CARRYOVER OF UNUSED ISSUANCE LIM-
22 ITATION.—If for any calendar year the limitation
23 amount imposed by paragraph (1) exceeds the
24 amount of Build America bonds issued during such
25 year, such excess shall be carried forward to one or

1 more succeeding calendar years as an addition to the
2 limitation imposed by paragraph (1) and until used
3 by issuance of Build America bonds.

4 “(4) ISSUANCE OF SMALL DENOMINATION
5 BONDS.—From the Build America bond limitation
6 for each year, the Transportation Finance Corpora-
7 tion shall issue a limited quantity of Build America
8 bonds in small denominations suitable for purchase
9 as gifts by individual investors wishing to show their
10 support for investing in America’s transportation in-
11 frastructure.

12 “(h) SPECIAL RULES RELATING TO EXPENDI-
13 TURES.—

14 “(1) IN GENERAL.—An issue shall be treated as
15 meeting the requirements of this subsection if, as of
16 the date of issuance, the Transportation Finance
17 Corporation reasonably expects—

18 “(A) at least 95 percent of the proceeds of
19 such issue are to be spent for 1 or more quali-
20 fied projects within the 5-year period beginning
21 on such date,

22 “(B) to incur a binding commitment with
23 a State or third party to spend at least 10 per-
24 cent of the proceeds of such issue, or to com-
25 mence construction, with respect to such

1 projects within the 12-month period beginning
2 on such date, and

3 “(C) to proceed with due diligence to com-
4 plete such projects and to spend the proceeds of
5 such issue.

6 “(2) RULES REGARDING CONTINUING COMPLI-
7 ANCE AFTER 5-YEAR DETERMINATION.—To the ex-
8 tent that less than 95 percent of the proceeds of
9 such issue are expended by the close of the 5-year
10 period beginning on the date of issuance, the Trans-
11 portation Finance Corporation shall redeem all of
12 the nonqualified bonds within 90 days after the end
13 of such period. For purposes of this paragraph, the
14 amount of the nonqualified bonds required to be re-
15 deemed shall be determined in the same manner as
16 under section 142.

17 “(3) REALLOCATION.—In the event the recipi-
18 ent of an allocation under subsection (g) after notice
19 and a reasonable opportunity to take corrective ac-
20 tion fails to demonstrate to the satisfaction of the
21 Transportation Finance Corporation that its actions
22 will allow the Transportation Finance Corporation to
23 meet the requirements under this subsection, the
24 Transportation Finance Corporation may redis-

1 tribute the allocation meant for such recipient to
2 other recipients.

3 “(i) SPECIAL RULES RELATING TO ARBITRAGE.—A
4 bond which is a part of an issue shall not be treated as
5 a Build America bond unless, with respect to the issue
6 of which such bond is a part, the Transportation Finance
7 Corporation satisfies the arbitrage requirements of section
8 148 with respect to proceeds of the issue.

9 “(j) RECAPTURE OF PORTION OF CREDIT WHERE
10 CESSATION OF COMPLIANCE.—If any bond which when
11 issued purported to be a Build America bond ceases to
12 be such a bond, the Transportation Finance Corporation
13 shall pay to the United States (at the time required by
14 the Secretary) an amount equal to the sum of—

15 “(1) the aggregate of the credits allowable
16 under this section with respect to such bond (deter-
17 mined without regard to subsection (c)) for taxable
18 years ending during the calendar year in which such
19 cessation occurs and each succeeding calendar year
20 ending with the calendar year in which such bond is
21 redeemed by the Transportation Finance Corpora-
22 tion, and

23 “(2) interest at the underpayment rate under
24 section 6621 on the amount determined under para-

1 graph (1) for each calendar year for the period be-
2 ginning on the first day of such calendar year.

3 “(k) BUILD AMERICA BONDS TRUST ACCOUNT.—

4 “(1) IN GENERAL.—The following amounts
5 shall be held in a Build America Bonds Trust Ac-
6 count by the Transportation Finance Corporation:

7 “(A) The proceeds from the sale of all
8 bonds issued under this section.

9 “(B) The investment earnings on proceeds
10 from the sale of such bonds.

11 “(C) The amount described in paragraph
12 (2).

13 “(D) Any earnings on any amounts de-
14 scribed in subparagraph (A), (B), or (C).

15 “(2) APPROPRIATION OF REVENUES.—There is
16 hereby appropriated to the Build America Bonds
17 Trust Account an amount equal to the lesser of—

18 “(A) the revenues resulting from the impo-
19 sition of fees pursuant to section 13031 of the
20 Consolidated Omnibus Budget Reconciliation
21 Act of 1985 (19 U.S.C. 58c) for fiscal years be-
22 ginning after September 31, 2008, or

23 “(B) \$50,000,000,000.

24 “(3) USE OF FUNDS.—Amounts in the Build
25 America Bonds Trust Account may be used only to

1 pay costs of qualified projects, redeem Build Amer-
2 ica bonds, and fund the operations of the Transpor-
3 tation Finance Corporation, except that amounts
4 withdrawn from the Build America Bonds Trust Ac-
5 count to pay costs of qualified projects may not ex-
6 ceed the proceeds from the sale of Build America
7 bonds described in subsection (e)(1).

8 “(4) USE OF REMAINING FUNDS IN BUILD
9 AMERICA BONDS TRUST ACCOUNT.—Upon the re-
10 demption of all Build America bonds issued under
11 this section, any remaining amounts in the Build
12 America Bonds Trust Account shall be available to
13 the Transportation Finance Corporation to pay the
14 costs of any qualified project.

15 “(5) APPLICABILITY OF FEDERAL LAW.—The
16 requirements of any Federal law, including titles 23,
17 40, and 49 of the United States Code, which would
18 otherwise apply to projects to which the United
19 States is a party or to funds made available under
20 such law and projects assisted with those funds shall
21 apply to—

22 “(A) funds made available under the Build
23 America Bonds Trust Account for similar quali-
24 fied projects, including contributions required
25 under subsection (l), and

1 “(B) similar qualified projects assisted by
2 the Transportation Finance Corporation
3 through the use of such funds.

4 “(6) INVESTMENT.—Subject to subsections (h)
5 and (i), it shall be the duty of the Transportation
6 Finance Corporation to invest in investment grade
7 obligations such portion of the Build America Bonds
8 Trust Account as is not, in the judgment of the
9 Board of Directors of the Transportation Finance
10 Corporation, required to meet current withdrawals.
11 To the maximum extent practicable, investments
12 should be made in securities that support infrastruc-
13 ture investment at the State and local level.

14 “(1) STATE CONTRIBUTION REQUIREMENTS.—

15 “(1) IN GENERAL.—For purposes of subsection
16 (e)(3), the State contribution requirement of this
17 subsection is met with respect to any qualified
18 project if the Transportation Finance Corporation
19 has received from 1 or more States, not later than
20 the date of issuance of the bond, written commit-
21 ments for matching contributions of not less than 20
22 percent (or such smaller percentage as determined
23 under title 23, United States Code, for such State)
24 of the cost of the qualified project.

1 “(2) STATE MATCHING CONTRIBUTIONS MAY
2 NOT INCLUDE FEDERAL FUNDS.—For purposes of
3 this subsection, State matching contributions shall
4 not be derived, directly or indirectly, from Federal
5 funds, including any transfers from the Highway
6 Trust Fund under section 9503.

7 “(m) UTILIZATION OF UPDATED CONSTRUCTION
8 TECHNOLOGY FOR QUALIFIED PROJECTS.—For purposes
9 of subsection (e)(4), the requirement of this subsection is
10 met if the appropriate State agency relating to the quali-
11 fied project is utilizing updated construction technologies.

12 “(n) OTHER DEFINITIONS AND SPECIAL RULES.—
13 For purposes of this section—

14 “(1) BOND.—The term ‘bond’ includes any ob-
15 ligation.

16 “(2) TRANSPORTATION FINANCE CORPORA-
17 TION.—The term ‘Transportation Finance Corpora-
18 tion’ means the corporation established under sec-
19 tion 302(a) of the Economic Recovery Act of 2008.

20 “(3) PARTNERSHIP; S CORPORATION; AND
21 OTHER PASS-THRU ENTITIES.—

22 “(A) IN GENERAL.—In the case of a part-
23 nership, trust, S corporation, or other pass-thru
24 entity, rules similar to the rules of section 41(g)

1 shall apply with respect to the credit allowable
2 under subsection (a).

3 “(B) NO BASIS ADJUSTMENT.—In the case
4 of a bond held by a partnership or an S cor-
5 poration, rules similar to the rules under sec-
6 tion 1397E(i) shall apply.

7 “(4) BONDS HELD BY REGULATED INVEST-
8 MENT COMPANIES.—If any Build America bond is
9 held by a regulated investment company, the credit
10 determined under subsection (a) shall be allowed to
11 shareholders of such company under procedures pre-
12 scribed by the Secretary.

13 “(5) CREDITS MAY BE STRIPPED.—Under regu-
14 lations prescribed by the Secretary—

15 “(A) IN GENERAL.—There may be a sepa-
16 ration (including at issuance) of the ownership
17 of a Build America bond and the entitlement to
18 the credit under this section with respect to
19 such bond. In case of any such separation, the
20 credit under this section shall be allowed to the
21 person who on the credit allowance date holds
22 the instrument evidencing the entitlement to
23 the credit and not to the holder of the bond.

24 “(B) CERTAIN RULES TO APPLY.—In the
25 case of a separation described in subparagraph

1 (A), the rules of section 1286 shall apply to the
2 Build America bond as if it were a stripped
3 bond and to the credit under this section as if
4 it were a stripped coupon.

5 “(6) CREDITS MAY BE TRANSFERRED.—Noth-
6 ing in any law or rule of law shall be construed to
7 limit the transferability of the credit or bond allowed
8 by this section through sale and repurchase agree-
9 ments.

10 “(7) REPORTING.—The Transportation Finance
11 Corporation shall submit reports similar to the re-
12 ports required under section 149(e).

13 “(8) PROHIBITION ON USE OF HIGHWAY TRUST
14 FUND.—Notwithstanding any other provision of law,
15 no funds derived from the Highway Trust Fund es-
16 tablished under section 9503 shall be used to pay for
17 credits under this section or for the administrative
18 costs of the Transportation Finance Corporation.”.

19 (b) REPORTING.—Subsection (d) of section 6049 of
20 the Internal Revenue Code of 1986 (relating to returns
21 regarding payments of interest) is amended by adding at
22 the end the following new paragraph:

23 “(9) REPORTING OF CREDIT ON BUILD AMER-
24 ICA BONDS.—

1 “(A) IN GENERAL.—For purposes of sub-
 2 section (a), the term ‘interest’ includes amounts
 3 includible in gross income under section 54A(d)
 4 and such amounts shall be treated as paid on
 5 the credit allowance date (as defined in section
 6 54A(b)(4)).

7 “(B) REPORTING TO CORPORATIONS,
 8 ETC.—Except as otherwise provided in regula-
 9 tions, in the case of any interest described in
 10 subparagraph (A), subsection (b)(4) shall be
 11 applied without regard to subparagraphs (A),
 12 (H), (I), (J), (K), and (L)(i) of such subsection.

13 “(C) REGULATORY AUTHORITY.—The Sec-
 14 retary may prescribe such regulations as are
 15 necessary or appropriate to carry out the pur-
 16 poses of this paragraph, including regulations
 17 which require more frequent or more detailed
 18 reporting.”.

19 (c) CONFORMING AMENDMENT.—Section 54(c)(2) of
 20 the Internal Revenue Code of 1986 is amended by insert-
 21 ing “section 54A,” after “subpart C,”.

22 (d) CLERICAL AMENDMENTS.—The table of sections
 23 for subpart H of part IV of subchapter A of chapter 1
 24 of the Internal Revenue Code of 1986 is amended by add-
 25 ing at the end the following new item:

“Sec. 54A. Credit for holders of Build America bonds.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to bonds issued after the date of
3 the enactment of this Act.

4 **SEC. 302. TRANSPORTATION FINANCE CORPORATION.**

5 (a) RECOGNITION AND STATUS.—Congress grants
6 consent and recognition to the establishment by 2 or more
7 State infrastructure banks (established under section 610
8 of title 23, United States Code) of a multistate organiza-
9 tion to be known as the “Transportation Finance Corpora-
10 tion” (hereafter in this section referred to as the “Cor-
11 poration”). Additional State infrastructure banks may join
12 the Transportation Finance Corporation subsequent to its
13 establishment.

14 (b) FUNCTIONS OF CORPORATION.—The Corpora-
15 tion—

16 (1) is authorized to issue Build America bonds
17 for the financing of qualified projects as required
18 under section 54A of the Internal Revenue Code of
19 1986,

20 (2) is authorized to establish and operate the
21 Build America Bonds Trust Account as required
22 under section 54A(k) of such Code,

23 (3) is authorized to act as a centralized entity
24 to provide financing for qualified projects (as defined
25 in section 54A(f) of such Code),

1 (4) may—

2 (A) leverage resources and stimulate public
3 and private investment in transportation infra-
4 structure,

5 (B) encourage States to create additional
6 opportunities for the financing of transportation
7 infrastructure,

8 (C) perform any other function the sole
9 purpose of which is to carry out the financing
10 of qualified projects through Build America
11 bonds, and

12 (5) not later than February 15 of each year
13 shall submit a report to Congress describing the ac-
14 tivities of the Corporation for the preceding year.

15 (c) EXEMPTION FROM TAXES.—

16 (1) IN GENERAL.—The Corporation, including
17 its franchise, capital, reserves, surplus, sinking
18 funds, mortgages or other security holdings, and in-
19 come, shall be exempt from all taxation now or here-
20 after imposed by the United States, by any territory,
21 dependency, or possession thereof, or by any State,
22 county, municipality, or local taxing authority, ex-
23 cept that any real property of the Corporation shall
24 be subject to State, territorial, county, municipal, or

1 local taxation to the same extent according to its
2 value as other real property is taxed.

3 (2) FINANCIAL OBLIGATIONS.—Build America
4 bonds or other obligations issued by the Corporation
5 and the interest on or tax credits with respect to its
6 bonds or other obligations shall not be subject to
7 taxation by any State, county, municipality, or local
8 taxing authority.

9 (d) CONSTRUCTION REGARDING RECOGNITION AND
10 STATUS.—

11 (1) IN GENERAL.—Nothing in this section shall
12 be construed to establish the Corporation as a de-
13 partment, agency, or instrumentality of the United
14 States Government, to establish the members of any
15 governing board or the officers and employees of the
16 Corporation, as officers or employees of the United
17 States Government, or to subject the Corporation to
18 the provisions of title 31, United States Code.

19 (2) UNITED STATES NOT OBLIGATED.—The de-
20 posit of Federal funds into the Build America Bonds
21 Trust Account established under section 54A(k) of
22 the Internal Revenue Code of 1986 shall not be con-
23 strued as a commitment, guarantee, or obligation on
24 the part of the United States to any third party, nor
25 shall any third party have any right against the

1 United States for payment solely by virtue of the
2 contribution. Any security or debt-financing instru-
3 ment issued by the Corporation shall expressly state
4 that the security or instrument does not constitute
5 a commitment, guarantee, or obligation of the
6 United States.

7 **Subtitle B—Commercial Truck** 8 **Fuel Savings**

9 **SEC. 311. SHORT TITLE.**

10 This subtitle may be cited as the “Commercial Truck
11 Fuel Savings Demonstration Act of 2008”.

12 **SEC. 312. FINDINGS.**

13 Congress finds that—

14 (1) diesel fuel prices have increased more than
15 50 percent during the 1-year period between May
16 2007 and May 2008;

17 (2) laws governing Federal highway funding ef-
18 fectively impose a limit of 80,000 pounds on the
19 weight of vehicles permitted to use highways on the
20 Interstate System;

21 (3) the administration of that provision in
22 many States has forced heavy tractor-trailer and
23 tractor-semitrailer combination vehicles traveling in
24 those States to divert onto small State and local

1 roads on which higher vehicle weight limits apply
2 under State law;

3 (4) the diversion of those vehicles onto those
4 roads increases fuel costs because of increased idling
5 time and total travel time along those roads; and

6 (5) permitting heavy commercial vehicles, in-
7 cluding tanker trucks carrying hazardous material
8 and fuel oil, to travel on Interstate System highways
9 when fuel prices are high would provide significant
10 savings in the transportation of goods throughout
11 the United States.

12 **SEC. 313. DEFINITIONS.**

13 In this subtitle:

14 (1) COMMISSIONER.—The term “Commis-
15 sioner” means the Commissioner of Transportation
16 of a State.

17 (2) COVERED INTERSTATE SYSTEM HIGH-
18 WAY.—

19 (A) IN GENERAL.—The term “covered
20 Interstate System highway” means a highway
21 designated as a route on the Interstate System.

22 (B) EXCLUSION.—The term “covered
23 Interstate System highway” does not include
24 any portion of a highway that, as of the date
25 of the enactment of this Act, is exempt from

1 the requirements of subsection (a) of section
 2 127 of title 23, United States Code, pursuant
 3 to a waiver under that subsection.

4 (3) INTERSTATE SYSTEM.—The term “Inter-
 5 state System” has the meaning given the term in
 6 section 101(a) of title 23, United States Code.

7 **SEC. 314. WAIVER OF HIGHWAY FUNDING REDUCTION RE-**
 8 **LATING TO WEIGHT OF VEHICLES USING**
 9 **INTERSTATE SYSTEM HIGHWAYS.**

10 (a) PROHIBITION RELATING TO CERTAIN VEHI-
 11 CLES.—Notwithstanding section 127(a) of title 23, United
 12 States Code, the total amount of funds apportioned to a
 13 State under section 104(b)(1) of that title for any period
 14 may not be reduced under section 127(a) of that title if
 15 a State permits a vehicle described in subsection (b) to
 16 use a covered Interstate System highway in the State in
 17 accordance with the conditions described in subsection (c).

18 (b) COMBINATION VEHICLES IN EXCESS OF 80,000
 19 POUNDS.—A vehicle described in this subsection is a vehi-
 20 cle having a weight in excess of 80,000 pounds that—

21 (1) consists of a 3-axle tractor unit hauling a
 22 single trailer or semitrailer; and

23 (2) does not exceed any vehicle weight limita-
 24 tion that is applicable under the laws of a State to
 25 the operation of the vehicle on highways in the State

1 that are not part of the Interstate System, as those
2 laws are in effect on the date of enactment of this
3 Act.

4 (c) CONDITIONS.—This section shall apply at any
5 time at which the weighted average price of retail number
6 2 diesel in the United States is \$3.50 or more per gallon.

7 (d) EFFECTIVE DATE AND TERMINATION.—This sec-
8 tion shall not remain in effect—

9 (1) after the date that is 2 years after the date
10 of enactment of this Act; or

11 (2) before the end of that 2-year period, after
12 any date on which the Secretary of Transpor-
13 tation—

14 (A) determines that—

15 (i) operation of vehicles described in
16 subsection (b) on covered Interstate Sys-
17 tem highways has adversely affected safety
18 on the overall highway network; or

19 (ii) a Commissioner has failed faith-
20 fully to use the highway safety committee
21 as described in section 316(2)(A) or to col-
22 lect the data described in section 316(3);
23 and

1 (B) publishes the determination, together
2 with the date of termination of this section, in
3 the Federal Register.

4 (e) CONSULTATION REGARDING TERMINATION FOR
5 SAFETY.—In making a determination under subsection
6 (d)(2)(A)(i), the Secretary of Transportation shall consult
7 with the highway safety committee established by a Com-
8 missioner in accordance with section 316.

9 **SEC. 315. GAO TRUCK SAFETY DEMONSTRATION REPORT.**

10 The Comptroller General of the United States shall
11 carry out a study of the effects of participation in the pro-
12 gram under section 314 on the safety of the overall high-
13 way network in States participating in that program.

14 **SEC. 316. RESPONSIBILITIES OF STATES.**

15 For the purpose of section 314, a State shall be con-
16 sidered to meet the conditions under this section if the
17 Commissioner of the State—

18 (1) submits to the Secretary of Transportation
19 a plan for use in meeting the conditions described in
20 paragraphs (2) and (3);

21 (2) establishes and chairs a highway safety
22 committee that—

23 (A) the Commissioner uses to review the
24 data collected pursuant to paragraph (3); and

25 (B) consists of representatives of—

1 (i) agencies of the State that have re-
2 sponsibilities relating to highway safety;

3 (ii) municipalities of the State;

4 (iii) organizations that have evalua-
5 tion or promotion of highway safety among
6 the principal purposes of the organizations;

7 and

8 (iv) the commercial trucking industry;

9 and

10 (3) collects data on the net effects that the op-
11 eration of vehicles described in section 314(b) on
12 covered Interstate System highways have on the
13 safety of the overall highway network, including the
14 net effects on single-vehicle and multiple-vehicle col-
15 lision rates for those vehicles.

16 **TITLE IV—WORKFORCE**
17 **DEVELOPMENT**

18 **SEC. 401. STATEWIDE AND LOCAL WORKFORCE INVEST-**
19 **MENT SYSTEMS.**

20 Section 137 of the Workforce Investment Act of 1998
21 (29 U.S.C. 2872) is amended to read as follows:

22 **“SEC. 137. AUTHORIZATION OF APPROPRIATIONS.**

23 **“(a) YOUTH ACTIVITIES.—**

24 **“(1) FISCAL YEAR 2009.—**There is authorized
25 to be appropriated and there is appropriated to

1 carry out the activities described in section 127(a),
2 \$1,174,000,000 for fiscal year 2009.

3 “(2) FISCAL YEAR 2010.—There are authorized
4 to be appropriated to carry out the activities de-
5 scribed in section 127(a), such sums as may be nec-
6 essary for fiscal year 2010.

7 “(b) ADULT EMPLOYMENT AND TRAINING ACTIVI-
8 TIES.—

9 “(1) FISCAL YEAR 2009.—There is authorized
10 to be appropriated and there is appropriated to
11 carry out the activities described in section
12 132(a)(1), \$1,099,000,000 for fiscal year 2009.

13 “(2) FISCAL YEAR 2010.—There are authorized
14 to be appropriated to carry out the activities de-
15 scribed in section 132(a)(1), such sums as may be
16 necessary for fiscal year 2010.

17 “(c) DISLOCATED WORKER EMPLOYMENT AND
18 TRAINING ACTIVITIES.—

19 “(1) FISCAL YEAR 2009.—There is authorized
20 to be appropriated and there is appropriated to
21 carry out the activities described in section
22 132(a)(2), \$1,945,000,000 for fiscal year 2009.

23 “(2) FISCAL YEAR 2010.—There are authorized
24 to be appropriated to carry out the activities de-

1 scribed in section 132(a)(2), such sums as may be
 2 necessary for fiscal year 2010.”.

3 **TITLE V—HOUSING PROVISIONS**

4 **SEC. 501. INSURANCE OF HOMEOWNERSHIP RETENTION** 5 **MORTGAGES.**

6 (a) MORTGAGE INSURANCE PROGRAM.—Title II of
 7 the National Housing Act (12 U.S.C. 1707 et seq.) is
 8 amended by adding at the end the following new section:

9 **“SEC. 257. INSURANCE OF HOMEOWNERSHIP RETENTION** 10 **MORTGAGES.**

11 “(a) AUTHORITY.—

12 “(1) IN GENERAL.—The Secretary shall, sub-
 13 ject only to the absence of qualified request for in-
 14 surance under this section and to the limitations
 15 under subsection (e) of this section and section
 16 531(a), make commitments to insure and insure any
 17 mortgage covering a 1- to 4-family residence that is
 18 made for the purpose of paying or prepaying out-
 19 standing obligations under an existing mortgage or
 20 mortgages on the residence if the mortgage being in-
 21 sured under this section meets the requirements of
 22 this section, as established by the Secretary, and of
 23 section 203, except as modified by this section.

24 “(2) ESTABLISHMENT AND IMPLEMENTATION
 25 OF PROGRAM REQUIREMENTS.—The Secretary shall

1 establish program requirements and standards under
2 this section and the Secretary shall implement such
3 requirements and standards. The Secretary may es-
4 tablish and implement any requirements or stand-
5 ards through interim guidance and mortgage letters.

6 “(b) REQUIREMENTS.—To be eligible for insurance
7 under this section, a mortgage shall comply with all of
8 the following requirements:

9 “(1) OWNER OCCUPIED PRINCIPAL RESIDENCE
10 REQUIREMENT.—The residence to be covered by the
11 mortgage insured under this section shall be occu-
12 pied by the mortgagor as the principal residence of
13 the mortgagor.

14 “(2) LACK OF CAPACITY TO PAY EXISTING
15 MORTGAGE OR MORTGAGES.—

16 “(A) BORROWER CERTIFICATION.—The
17 mortgagor shall provide a certification to the
18 originator of the mortgage that the mortgagor
19 has not intentionally defaulted on the existing
20 mortgage or mortgages.

21 “(B) LOSS MITIGATION RESPONSIBIL-
22 ITIES.—This section may not be construed to
23 alter or in any way affect the responsibilities of
24 any party (including the mortgage servicer) to
25 engage in any or all loan modification or other

1 loss mitigation strategies to maximize value to
2 investors as established by any applicable con-
3 tract.

4 “(3) ELIGIBILITY OF MORTGAGES BY DATE OF
5 ORIGINATION.—The existing senior mortgage shall
6 have been originated on before December 31, 2007.

7 “(4) MAXIMUM LOAN TO VALUE RATIO FOR
8 NEW LOANS.—The mortgage being insured under
9 this section shall involve a principal obligation (in-
10 cluding such initial service charges, appraisal, in-
11 spection, and other fees as the Secretary shall ap-
12 prove and including the mortgage insurance pre-
13 mium paid pursuant to subsection (d)(1)) in an
14 amount not to exceed 90 percent of the current ap-
15 praised value of the property. Section 203(d) shall
16 not apply to mortgages insured under this section.

17 “(5) REQUIRED WAIVER OF PREPAYMENT PEN-
18 ALTIES AND FEES.—All penalties for prepayment of
19 the existing mortgage or mortgages, and all fees and
20 penalties related to default or delinquency on all ex-
21 isting mortgage or mortgages, shall be waived or for-
22 given.

23 “(6) REQUIRED LOAN REDUCTION.—

24 “(A) REDUCTION OF INDEBTEDNESS
25 UNDER EXISTING SENIOR MORTGAGE.—The

1 amount of indebtedness on the existing mort-
2 gage or mortgages on the residence shall have
3 been substantially reduce by such percentage as
4 the Secretary may require, and such reduction
5 shall at least be sufficient to—

6 “(i) provide for the refinancing of
7 such existing mortgage or mortgages in an
8 amount not greater than 90 percent of the
9 current appraised value of the property in-
10 volved;

11 “(ii) pay the full amount of the single
12 premium to be collected pursuant to sub-
13 section (d)(1) (which shall be an amount
14 up to 3.0 percent of the amount of the
15 original insured principal obligation of the
16 mortgage insured under this section and
17 which shall serve as an additional reserve
18 to cover possible loan losses); and

19 “(iii) pay the full amount of the loan
20 origination fee and any other closing costs,
21 not to exceed 2.0 percent of the amount of
22 the original insured principal obligation of
23 the mortgage insured under this section.

24 “(B) EXTINGUISHMENT OF DEBT BY REFI-
25 NANCING.—

1 “(i) REQUIRED AGREEMENT.—All ex-
2 isting holders of mortgage liens on the
3 property involved shall agree to accept the
4 proceeds of the insured loan as payment in
5 full of all indebtedness under all existing
6 mortgages, and all encumbrances related
7 to such mortgages shall be removed. The
8 Secretary may take such action as the Sec-
9 retary considers necessary or appropriate
10 to facilitate coordination and agreement
11 between the holders of the existing senior
12 mortgage and any existing subordinate
13 mortgages, taking into consideration the
14 subordinate lien status of such subordinate
15 mortgages, to comply with the requirement
16 under this subparagraph.

17 “(ii) TREATMENT OF MULTIPLE
18 MORTGAGE LIENS.—In addition to clause
19 (i), the Secretary shall adopt 1 of the fol-
20 lowing approaches for all mortgages or
21 such classes of mortgages as the Secretary
22 may determine and may, from time to
23 time, reconsider:

24 “(I) FIXED PRICE.—As a re-
25 quirement for participation in this

1 program, all existing lien holders will
2 agree to not provide any payment to
3 subordinate lien holders other than
4 such payment in accordance with a
5 formula established by the Secretary
6 as set forth in clause (iii); except that
7 the Secretary may establish a short
8 period within which first and subordi-
9 nate lien holders may negotiate to ex-
10 tinguish all subordinate liens for com-
11 pensation that may be different from
12 the amount determined under such
13 formula set forth in clause (iii).

14 “(II) SHARED EQUITY.—The
15 Secretary may require the mortgagor
16 under a mortgage insured under this
17 section to agree to share a portion of
18 any future equity in the mortgaged
19 property with holders of existing sub-
20 ordinate mortgages, in accordance
21 with a formula for such shared equity
22 established by the Secretary as set
23 forth in clause (iii), except that pay-
24 ments of such shared equity may be
25 made only after the Secretary recovers

1 all amounts owed to the Secretary
2 with respect to such mortgage pursu-
3 ant to the program under this section
4 (including amounts owed pursuant to
5 paragraph (8)).

6 “(iii) FORMULA.—In determining a
7 formula for determining any payments to
8 subordinate lien holders pursuant to sub-
9 clauses (I) and (II) of clause (ii), and in
10 any reconsideration of such formula as the
11 Secretary may from time to time under-
12 take, the Secretary shall take into consid-
13 eration the current market value of such
14 liens.

15 “(iv) VOLUNTARY PROGRAM.—This
16 subparagraph may not be construed to re-
17 quire any holder of any existing mortgage
18 to participate in the program under this
19 section generally, or with respect to any
20 particular loan.

21 “(v) SOURCE OF PAYMENTS FOR SUB-
22 ORDINATE LOANS.—Any amounts paid to
23 holders of any existing subordinate mort-
24 gages in connection with the origination

1 and insurance of a mortgage under this
2 section shall derive only from—

3 “(I) the holder of the existing
4 senior mortgage; or

5 “(II) in the case only of the
6 shared equity approach under clause
7 (ii)(II), the mortgagor under the
8 mortgage insured under this section.

9 “(7) REQUIRED REDUCTION OF DEBT SERV-
10 ICE.—The debt service payments due under the
11 mortgage insured under this section shall be in an
12 amount that is substantially reduced from the debt
13 service payments due under the existing mortgage or
14 mortgages, which reduction may be achieved through
15 a reduction of indebtedness, a reduction in the inter-
16 est rate being paid, or an extension of the term of
17 the mortgage, or any combination thereof.

18 “(8) FINANCIAL RECOVERY TO FEDERAL GOV-
19 ERNMENT THROUGH EXIT PREMIUM.—

20 “(A) SUBORDINATE LIEN.—The mortgage
21 shall provide that the Secretary shall retain a
22 lien on the residence involved, which shall be
23 subordinate to the mortgage insured under this
24 section but senior to all other mortgages on the
25 residence that may exist at any time, and which

1 shall secure the repayment of the amount due
2 under subparagraph (D).

3 “(B) NO INTEREST OR PAYMENT DURING
4 MORTGAGE.—The amount secured by the lien
5 retained by the Secretary pursuant to subpara-
6 graph (A) shall not bear interest and shall not
7 be repayable to the Secretary except as pro-
8 vided in subparagraph (D) of this paragraph.

9 “(C) NET PROCEEDS AVAILABLE FOR EXIT
10 PREMIUM.—Upon the sale, refinancing, or other
11 disposition of the residence covered by a mort-
12 gage insured under this section, any proceeds
13 resulting from such disposition that remain
14 after deducting the remaining insured principal
15 balance of the mortgage insured under this sec-
16 tion shall be available to meet the obligation
17 under subparagraph (D).

18 “(D) EXIT PREMIUM.—Upon any refi-
19 nancing of the mortgage insured under this sec-
20 tion or any sale or disposition of the residence
21 covered by the mortgage, the Secretary shall,
22 subject to the availability of sufficient net pro-
23 ceeds in subparagraph (C), receive the greater
24 of—

1 “(i) 3 percent of the amount of the
2 original insured principal obligation of the
3 mortgage; or

4 “(ii) a percentage of the portion of
5 the net proceeds described in subparagraph
6 (C), which shall be—

7 “(I) in the case of any refi-
8 nancing, sale, or disposition occurring
9 during the first year of the term of
10 the mortgage, 100 percent of such net
11 proceeds;

12 “(II) in the case of any refi-
13 nancing, sale, or disposition occurring
14 during the second year of the term of
15 the mortgage, 80 percent;

16 “(III) in the case of any refi-
17 nancing, sale, or disposition occurring
18 during the third year of the term of
19 the mortgage, 60 percent;

20 “(IV) in the case of any refi-
21 nancing, sale or disposition occurring
22 during the fourth year of the term of
23 the mortgage, 40 percent;

24 “(V) in the case of any refi-
25 nancing, sale, or disposition occurring

1 during the fifth year of the term of
2 the mortgage, 20 percent; and

3 “(VI) in the case of any refi-
4 nancing, sale, or disposition occurring
5 after the end of the fifth year, 0 per-
6 cent.

7 “(E) AUTHORITY TO PROHIBIT NEW SEC-
8 OND LIENS.—The Secretary may prohibit bor-
9 rowers from granting a new second lien on the
10 mortgaged property during the first 5 years of
11 the term of the mortgage insured under this
12 section.

13 “(9) DOCUMENTATION AND VERIFICATION OF
14 INCOME.—In complying with the FHA underwriting
15 requirements under the program under this section,
16 the mortgagee under the mortgage shall document
17 and verify the income of the mortgagor in accord-
18 ance with procedures and standards that the Sec-
19 retary shall establish.

20 “(10) FIXED RATE MORTGAGE.—The mortgage
21 insured under this section shall bear interest at a
22 single rate that is fixed for the entire term of the
23 mortgage.

1 “(c) FLEXIBLE UNDERWRITING CRITERIA.—The
2 Secretary shall establish underwriting standards for mort-
3 gages insured under this section that—

4 “(1) ensure that each mortgagor under a mort-
5 gage insured under this section has a reasonable ex-
6 pectation of repaying the mortgage, taking into con-
7 sideration the mortgagor’s income, assets, liabilities,
8 payment history, and other applicable criteria; and

9 “(2) provide for the underwriter of the insured
10 loan to provide such representations and warranties
11 as the Secretary considers necessary or appropriate
12 for the Secretary to enforce compliance with all un-
13 derwriting and appraisal standards of the program.

14 “(d) PREMIUMS.—For each mortgage insured under
15 this section, the Secretary shall establish and collect—

16 “(1) at the time of insurance, a single premium
17 payment in an amount up to 3.0 percent of the
18 amount of the original insured principal obligation of
19 the mortgage, which shall be paid from the proceeds
20 of the mortgage being insured under this section,
21 through the reduction of the amount of indebtedness
22 on the existing senior mortgage required under sub-
23 section (b)(6)(A);

24 “(2) in addition to the premium under para-
25 graph (1), annual premium payments in an amount

1 up to 1.50 percent of the remaining insured prin-
2 cipal balance of the mortgage; and

3 “(3) an exit premium in the amount determined
4 under subsection (b)(8), but which shall not be less
5 than 3.0 percent of the original insured principal ob-
6 ligation of the mortgage, subject only to the avail-
7 ability of sufficient net proceeds from sale, refi-
8 nancing, or other disposition of the property, as de-
9 termined in subsection (b)(8).

10 “(e) LIMITATION ON AGGREGATE INSURANCE AU-
11 THORITY.—The aggregate original principal obligation of
12 all mortgages insured under this section may not exceed
13 \$300,000,000,000.

14 “(f) ENHANCEMENT OF FHA CAPACITY.—The Sec-
15 retary shall take such actions as may be necessary to—

16 “(1) contract for the establishment of under-
17 writing criteria, automated underwriting systems,
18 pricing standards, and other factors relating to eligi-
19 bility for mortgages insured under this section;

20 “(2) contract for independent quality reviews of
21 underwriting, including appraisal reviews and fraud
22 detection, of mortgages insured under this section or
23 pools of such mortgages; and

1 “(3) increase personnel of the Department as
2 necessary to process or monitor the processing of
3 mortgages insured under this section.

4 “(g) MONITORING OF UNDERWRITING RISK.—

5 “(1) MONITORING OF DESIGNATED UNDER-
6 WRITERS.—The Secretary shall monitor independent
7 quality reviews as established pursuant to subsection
8 (f)(2) to—

9 “(A) determine compliance of designated
10 underwriters with underwriting standards;

11 “(B) determine rates of delinquency,
12 claims rates, and loss rates of designated un-
13 derwriters; and

14 “(C) terminate eligibility of designated un-
15 derwriters that do not meet minimum perform-
16 ance standards as the Secretary may establish
17 and implement.

18 “(2) REPORTS BY OVERSIGHT BOARD.—The
19 Secretary shall submit monthly reports to Congress
20 identifying the progress of the program for mortgage
21 insurance under this section, which shall contain the
22 following information for each month:

23 “(A) The number of new mortgages in-
24 sured under this section, including the location

1 of the properties subject to such mortgages by
2 census tract.

3 “(B) The aggregate principal obligation of
4 new mortgages insured under this section.

5 “(C) The average amount by which the in-
6 debtedness on existing mortgages is reduced in
7 accordance with subsection (b)(6).

8 “(D) The average amount by which the
9 debt service payments on existing mortgages is
10 reduced in accordance with subsection (b)(7).

11 “(E) The amount of premiums collected
12 for insurance of mortgages under this section.

13 “(F) The claim and loss rates for mort-
14 gages insured under this section.

15 “(G) The race, ethnicity, gender, and in-
16 come of the mortgagors, aggregated by geo-
17 graphic areas at least as specific as census
18 tracts, except where necessary to protect the
19 privacy of the borrower.

20 “(H) Any other information that the Sec-
21 retary considers appropriate.

22 “(3) REPORT BY INSPECTOR GENERAL.—The
23 Inspector General of the Department of Housing
24 and Urban Development shall conduct an annual
25 audit of the program for mortgage insurance under

1 this section to determine compliance with this sec-
2 tion and program rules.

3 “(h) DEFINITIONS.—For purposes of this section, the
4 following definitions apply:

5 “(1) EXISTING MORTGAGE.—The term ‘existing
6 mortgage’ means, with respect to a mortgage in-
7 sured under this section, a mortgage that is to be
8 extinguished, and paid or prepaid, from the proceeds
9 of the mortgage insured under this section.

10 “(2) EXISTING SENIOR MORTGAGE.—The term
11 ‘existing senior mortgage’ means, with respect to a
12 mortgage insured under this section, the existing
13 mortgage that has superior priority.

14 “(3) EXISTING SUBORDINATE MORTGAGE.—The
15 term ‘existing subordinate mortgage’ means, with re-
16 spect to a mortgage insured under this section, an
17 existing mortgage that has subordinate priority to
18 the existing senior mortgage.

19 “(i) SUNSET.—The authority of the Secretary to
20 make any new commitment to insure any mortgage under
21 this section shall terminate upon the expiration of the 2-
22 year period beginning on the date of the enactment of the
23 Economic Recovery Act of 2008.”.

1 **SEC. 502. STUDY OF AUCTION OR BULK REFINANCE PRO-**
2 **GRAM.**

3 (a) **STUDY.**—The Board of Governors of the Federal
4 Reserve System (in this section referred to as the “Board
5 of Governors”), in consultation with the Secretary of
6 Housing and Urban Development, shall conduct a study
7 of the need for and efficacy of an auction or bulk refi-
8 nancing mechanism to facilitate refinancing of existing
9 residential mortgages that are at risk for foreclosure into
10 mortgages insured under the mortgage insurance program
11 under title II of the National Housing Act. The study shall
12 identify and examine various options for mechanisms
13 under which lenders and servicers of such mortgages may
14 make bids for forward commitments for such insurance
15 in an expedited manner.

16 (b) **CONTENT.**—

17 (1) **ANALYSIS.**—The study required under sub-
18 section (a) shall analyze—

19 (A) the feasibility of establish a mechanism
20 that would facilitate the more rapid refinancing
21 of borrowers at risk of foreclosure into per-
22 forming mortgages insured under title II of the
23 National Housing Act;

24 (B) whether such a mechanism would pro-
25 vide an effective and efficient mechanism to re-

1 duce foreclosures on qualified existing mort-
2 gages;

3 (C) whether the use of an auction or bulk
4 refinance program is necessary to stabilize the
5 housing market and reduce the impact of tur-
6 moil in that market on the economy of the
7 United States;

8 (D) whether there are other mechanisms
9 or authority that would be useful to reduce
10 foreclosure; and

11 (E) any other factors that the Board of
12 Governors considers relevant.

13 (2) DETERMINATIONS.—To the extent that the
14 Board of Governors finds that a facility of the type
15 described in paragraph (1) is feasible and useful, the
16 study shall—

17 (A) determine and identify any additional
18 authority or resources needed to establish and
19 operate such a mechanism;

20 (B) determine whether there is a need for
21 additional authority with respect to the loan un-
22 derwriting criteria included in section 257 of
23 the National Housing Act or with respect to the
24 eligibility of participating borrowers, lenders, or
25 holders of liens; and

1 (C) determine whether such underwriting
2 criteria should be established on the basis of in-
3 dividual loans, in the aggregate, or otherwise to
4 facilitate the goal of refinancing borrowers at
5 risk of foreclosure into viable loans insured
6 under the National Housing Act.

7 (c) REPORT.—Not later than the expiration of the
8 60-day period beginning on the date of the enactment of
9 this Act, the Board of Governors shall submit a report
10 regarding the results of the study conducted under this
11 section to the Committee on Financial Services of the
12 House of Representatives and the Committee on Banking,
13 Housing, and Urban Affairs of the Senate. The report
14 shall include a detailed description of the analyses re-
15 quired under subsection (b)(1) and the determinations
16 made pursuant to subsection (b)(2), and shall include any
17 other findings and recommendations of the Board of Gov-
18 ernors pursuant to the study, including identifying various
19 options for mechanisms described in subsection (a).

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