

S 2338

FHA Modernization Act of 2007

Congress: 110 (2007–2009, Ended)

Chamber: Senate

Policy Area: Housing and Community Development

Introduced: Nov 13, 2007

Current Status: Held at the desk.

Latest Action: Held at the desk. (Dec 17, 2007)

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Sponsor

Name: Sen. Dodd, Christopher J. [D-CT]

Party: Democratic • State: CT • Chamber: Senate

Cosponsors

No cosponsors are listed for this bill.

Committee Activity

Committee	Chamber	Activity	Date
Banking, Housing, and Urban Affairs Committee	Senate	Reported Original Measure	Nov 13, 2007

Subjects & Policy Tags

Policy Area:

Housing and Community Development

Related Bills

Bill	Relationship	Last Action
110 S 2734	Related bill	Mar 11, 2008: Star Print ordered on the bill.
110 S 2325	Related bill	Nov 8, 2007: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
110 HR 1852	Related bill	Sep 19, 2007: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
110 HR 1752	Related bill	Apr 18, 2007: Referred to the Subcommittee on Housing and Community Opportunity.

FHA Modernization Act of 2007 - **Title I: Building American Homeownership** - Building American Homeownership Act of 2007 - (Sec. 102) Amends the National Housing Act to: (1) modify requirements for the maximum principal loan obligation, changing one element in the formula from 95% to 100% of the median one-family house price in the area; and (2) limit the principal loan obligation to 100% of the appraised value of the property.

(Sec. 103) Amends the National Housing Act to revise eligibility criteria for cash down payment for Federal Housing Administration (FHA) mortgage insurance. Reduces such payment from the current 3% to 1.5% of the appraised value of the property.

Repeals the authority of corporations or other persons to pay the down payment for: (1) individuals at age 60 or older at the time the mortgage was endorsed for insurance or if the mortgage met the requirement for single-family housing in outlying areas; or (2) covering a single-family home being purchased under the low-income housing demonstration project or a housing unit in connection with a homeownership program under the Homeownership and Opportunity Through HOPE Act.

Requires the Secretary of Housing and Urban Development (HUD), with respect to cash down payments, to consider as cash or its equivalent any amounts borrowed from (currently, gifted by) a family member, provided such funds are paid back (as under current law). Provides that the principal obligation of the mortgage and the obligation secured by such lien may not exceed 100% of the appraised value of the property (as under current law). Repeals the inclusion of any initial service charges, appraisal, inspection and other fees in connection with the mortgage.

Prohibits cash down payments from consisting, in whole or in part, of funds provided before, during, or after closing of the property sale by: (1) the seller or any other person or entity that financially benefits from the transaction; or (2) any third party or entity that is reimbursed, directly or indirectly, by such parties.

(Sec. 104) Releases from HUD upfront mortgage insurance premium requirements: (1) certain mortgages secured by one- to four-family dwellings that are obligations of the General Insurance Fund (GIF); (2) insured rehabilitation loans for one- to four-family structures; and (3) condominium mortgages.

Increases from: (1) 2.25% to 3% the maximum upfront mortgage insurance premium HUD may collect on mortgages secured by a one- to four-family dwelling that is an obligation of the Mutual Mortgage Insurance (MMI) Fund; and (2) 2% to 2.75% such premium if, as under current law, the mortgagor is a first-time homebuyer who completes a HUD approved program of counseling with respect to the responsibilities and financial management involved in homeownership.

(Sec. 105) Replaces the GIF with the MMI Fund with respect to funds received and disbursements made in connection with rehabilitation loans for one- to four-family structures.

(Sec. 107) Permits the Secretary to insure any mortgage covering a one-family unit in a condominium if, in addition to other specified requirements, the project of which it is part has a certain HUD-insured blanket mortgage.

Includes among insurable one-family units (condominiums) in multifamily projects those in which the dwelling units are manufactured housing units, semidetached or detached.

(Sec. 108) Revises requirements for the MMI Fund, specifying operating goals among other things. Requires an annual independent actuarial study of the Fund, on the basis of which the Secretary may make either: (1) programmatic

adjustments to reduce any risk to the Fund; or (2) appropriate premium adjustments.

Makes insured mortgages used in conjunction with the Homeownership Voucher program, as well as reverse mortgages, obligations of the MMI Fund.

(Sec. 109) Makes insurance of a Native Hawaiian or Indian reservation mortgage the obligation of the MMI Fund (instead of the GIF).

(Sec. 111) Redefines "home mortgage" and "mortgage" to include subordinate mortgage, with respect to FHA insurance of cooperative housing projects.

(Sec. 112) Eliminates the limitation on the aggregate number of home equity conversion mortgages (HECMs, or reverse mortgages) for elderly homeowners insured under the National Housing Act.

Authorizes the Secretary to insure an HECM to: (1) enable an elderly mortgagor to purchase a one- to four-family dwelling unit, one unit of which the mortgagor will occupy as a primary residence; and (2) provide for any future payments to the mortgagor, based on available equity.

Establishes a single national loan limit for HECMs equivalent to the limit for a one-family residence under the Federal Home Loan Mortgage Corporation Act.

Directs: (1) the Secretary to establish specified limits on the origination fee that may be charged to an HECM mortgagor; and (2) the Comptroller General to study and report to Congress on the costs and availability of credit under the HECMs for elderly homeowners program.

(Sec. 113) Amends the Energy Policy Act of 1992 to raise the cap on the price of the cost-effective energy efficiency improvements under the energy efficiency mortgages program.

(Sec. 114) Amends the National Housing Act to require the Secretary to carry out a pilot program to establish, and make available to mortgagees, an automated process for providing alternative credit rating information for mortgagors and prospective mortgagors (under mortgages on one- to four-family residences) without sufficient credit history, for determining their creditworthiness. Allows such alternative credit rating information to include among other information, rent, utilities, and insurance payment histories.

Requires the Comptroller General to identify to Congress: (1) the number of additional mortgagors served using the automatic process; and (2) the impact of such process and the insurance of mortgages pursuant to it on the safety and soundness of FHA mortgage insurance funds of which such mortgages are obligations.

(Sec. 115) Requires the Secretary and the FHA Commissioner to develop, implement, and report to specified congressional committees a plan to improve the FHA loss mitigation process.

(Sec. 116) Authorizes appropriations to the Secretary for FY2008-FY2012 from the negative credit subsidy for FHA mortgage insurance programs to increase funding for: (1) technology; (2) processes; (3) program performance; (4) fraud elimination; and (5) appropriate staffing in connection with such programs.

Conditions such authorization for any fiscal year upon certification by the Secretary that mortgage insurance premiums charged during it: (1) are established at the minimum amount sufficient to comply with the requirements for the MMI capital ratio; and (2) ensure the safety and soundness of the other FHA mortgage insurance funds. Requires any such negative credit subsidy to ensure adequately the efficient delivery and availability of FHA mortgage insurance programs.

Requires the Secretary to study and report to Congress on how best to update and upgrade FHA mortgage insurance program processes and technologies so that: (1) the procedures for originating, insuring, and servicing of mortgages conform with those customarily used by secondary market purchasers of residential mortgage loans; and (2) such processes and technology provide appropriate staffing for such programs.

(Sec. 117) Amends the Housing and Urban Development Act of 1968 to revise post-purchase housing counseling eligibility requirements for homeowners who are, or are expected to be, unable to make payments, correct a home loan delinquency within a reasonable time, or resume full home loan payments due to a reduction in the homeowner's income.

Extends eligibility to such a homeowner that has a significant: (1) reduction in household income due to divorce or death; or (2) increase in his or her basic expenses or those of an immediate family member (including the spouse, child, or parent for whom the homeowner provides substantial care or financial assistance) due to an unexpected or significant increase in medical expenses, a divorce, unexpected and significant damage to the property, the repair of which will not be covered by private or public insurance, or a large property-tax increase.

Adds as an alternative criterion that the annual income of the homeowner is no longer greater than the annual low- or moderate-income.

Repeals the automatic counseling eligibility of first-time home buyers whose mortgage: (1) principal obligation exceeds 97% of the property's appraised value; and (2) will be insured.

(Sec. 118) Requires the Secretary to establish a demonstration program to test the effectiveness of alternative forms of pre-purchase homeownership counseling for up to 3,000 first-time homebuyers approved for a home loan with a loan-to-value (LTV) ratio between 97% and 98.5% (eligible homebuyers).

Specifies such alternative forms as: (1) telephone counseling; (2) individual in-person counseling; (3) web-based counseling; (4) counseling classes; or (5) any other appropriate form or type of counseling.

Authorizes the Secretary to provide incentives to eligible homebuyers to participate in the demonstration program, including reduction of any FHA insurance premium charges owed.

(Sec. 119) Amends the federal criminal code to subject an individual to a fine of up to \$1 million and imprisonment for up to 30 years, or both, for certain fraudulent actions intended to influence FHA action in any way, including with respect to an insurance agreement or application for insurance or a guarantee.

(Sec. 120) Prohibits the Secretary, through FY2009, from increasing premiums for the FHA multifamily insurance program above the FY2006 premiums, unless without such increase, insurance of additional mortgages under the program would require the appropriation of new budget authority to cover the costs of such insurance.

Requires the Secretary, at least 30 days before such an increase takes effect, to: (1) notify specified congressional committees of the increase; and (2) publish notice of it in the Federal Register.

Authorizes the Secretary to waive the 30-day notice requirement if waiting 30 days before increasing premiums would cause substantial damage to the solvency of multifamily housing programs.

(Sec. 123) Prohibits the Secretary, for one year following enactment of this Act, from enacting, executing, or taking actions to make effective the planned implementation of risk-based premiums, designed for mortgage lenders to offer

borrowers an FHA-insured product that provides a range of mortgage insurance premium pricing, based on the risk the insurance contract represents.

Title II: Manufactured Housing Loan Modernization - FHA Manufactured Housing Loan Modernization Act of 2007 - (Sec. 203) Amends the National Housing Act with respect to FHA housing loan insurance for manufactured homes (or lots for such homes).

Exempts such loans from certain financial institution portfolio limits, increasing an allowable claim for loss from 10% to 90% of an institution's total amount of such loans, credit advances, and purchases.

(Sec. 204) Makes any new contract of insurance for such loans, credit advances, or purchases conclusive evidence of an institution's insurance eligibility. (Thus requires each loan to be insured individually instead of as part of a bundle of such loans.)

(Sec. 205) Increases loan limits, requiring annual indexing.

(Sec. 206) Prescribes requirements for payment by a borrower of premium charges for credit insurance, including an upfront premium of up to 2.25% and an annual premium of up to 1%.

(Sec. 207) Revises requirements for the handling and disposal of any real or personal property conveyed to or acquired by the Secretary, and the pursuit of all claims against mortgagors assigned to the Secretary by mortgagees.

(Sec. 208) Directs the Secretary to: (1) establish underwriting criteria for loans and credit in connection with a manufactured home, or a lot for one, that will ensure the manufactured housing program's financial soundness; and (2) revise within six months existing criteria to accord with those established under this Act.

(Sec. 209) Amends the National Housing Act to apply the prohibition against kickbacks and unearned fees in the Real Estate Settlement Procedures Act of 1974 (RESPA) to each sale of a manufactured homes financed with an FHA-insured loan or extension of credit and related services.

Authorizes the Secretary to: (1) determine the manner and extent to which such RESPA prohibition against kickbacks and unearned fees may reasonably be applied to such sale; and (2) grant necessary exemptions to achieve such purpose.

Requires the Secretary, in connection with the purchase of a manufactured home financed with a FHA loan or extension of credit, to prohibit acts or practices in connection with loans or extensions of credit that the Secretary finds to be unfair, deceptive, or otherwise not in the interests of the borrower.

(Sec. 210) Prescribes certain lease requirements as prerequisites for HUD insurance of a financial institution with respect to a mortgage loan to finance a manufactured home intended to be leased in a manufactured home community.

Actions Timeline

- **Dec 17, 2007:** Received in the House.
- **Dec 17, 2007:** Held at the desk.
- **Dec 14, 2007:** Measure laid before Senate by unanimous consent. (consideration: CR S15580-15598)
- **Dec 14, 2007:** Passed/agreed to in Senate: Passed Senate with an amendment by Yea-Nay Vote. 93 - 1. Record Vote Number: 432.(text: CR S15593-15598)
- **Dec 14, 2007:** Passed Senate with an amendment by Yea-Nay Vote. 93 - 1. Record Vote Number: 432. (text: CR S15593-15598)
- **Dec 14, 2007:** Message on Senate action sent to the House.
- **Nov 13, 2007:** Introduced in Senate
- **Nov 13, 2007:** Sponsor introductory remarks on measure. (CR S14290-14291)
- **Nov 13, 2007:** Committee on Banking, Housing, and Urban Affairs. Original measure reported to Senate by Senator Reid for Senator Dodd. With written report No. 110-227. Additional views filed.
- **Nov 13, 2007:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 481. (text of measure as introduced: CR S14291-14295)
- **Sep 19, 2007:** Committee on Banking, Housing, and Urban Affairs ordered to be reported an original measure.