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**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 1852
OFFERED BY MRS. BIGGERT OF ILLINOIS**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Expanding American Homeownership Act of 2007”.

4 (b) **TABLE OF CONTENTS.**—The table of contents for
5 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Maximum principal loan obligation.
- Sec. 4. Extension of mortgage term.
- Sec. 5. Cash investment requirement.
- Sec. 6. Temporary reinstatement of downpayment requirement in event of increased defaults.
- Sec. 7. Mortgage insurance premiums.
- Sec. 8. Rehabilitation loans.
- Sec. 9. Discretionary action.
- Sec. 10. Insurance of condominiums.
- Sec. 11. Mutual Mortgage Insurance Fund.
- Sec. 12. Hawaiian home lands and Indian reservations.
- Sec. 13. Conforming and technical amendments.
- Sec. 14. Home equity conversion mortgages.
- Sec. 15. Conforming loan limit in disaster areas.
- Sec. 16. Participation of mortgage brokers and correspondent lenders.
- Sec. 17. Sense of Congress regarding technology for financial systems.
- Sec. 18. Savings provision.
- Sec. 19. Implementation.

6 SEC. 2. FINDINGS AND PURPOSES.

7 (a) **FINDINGS.**—The Congress finds that—

1 (1) one of the primary missions of the Federal
2 Housing Administration (FHA) single family mort-
3 gage insurance program is to reach borrowers who
4 are underserved, or not served, by the existing con-
5 ventional mortgage marketplace;

6 (2) the FHA program has a long history of in-
7 novation, which includes pioneering the 30-year self-
8 amortizing mortgage and a safe-to-seniors reverse
9 mortgage product, both of which were once thought
10 too risky to private lenders;

11 (3) the FHA single family mortgage insurance
12 program traditionally has been a major provider of
13 mortgage insurance for home purchases;

14 (4) the FHA mortgage insurance premium
15 structure, as well as FHA's product offerings,
16 should be revised to reflect FHA's enhanced ability
17 to determine risk at the loan level and to allow FHA
18 to better respond to changes in the mortgage mar-
19 ket;

20 (5) during past recessions, including the oil-
21 patch downturns in the mid-1980s, FHA remained
22 a viable credit enhancer and was therefore instru-
23 mental in preventing a more catastrophic collapse in
24 housing markets and a greater loss of homeowner
25 equity; and

1 (6) as housing price appreciation slows and in-
2 terest rates rise, many homeowners and prospective
3 homebuyers will need the less-expensive, safer fi-
4 nancing alternative that FHA mortgage insurance
5 provides.

6 (b) PURPOSES.—The purposes of this Act are—

7 (1) to provide flexibility to FHA to allow for
8 the insurance of housing loans for low- and mod-
9 erate-income homebuyers during all economic cycles
10 in the mortgage market;

11 (2) to modernize the FHA single family mort-
12 gage insurance program by making it more reflective
13 of enhancements to loan-level risk assessments and
14 changes to the mortgage market; and

15 (3) to adjust the loan limits for the single fam-
16 ily mortgage insurance program to reflect rising
17 house prices and the increased costs associated with
18 new construction.

19 **SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

20 Paragraph (2) of section 203(b) of the National
21 Housing Act (12 U.S.C. 1709(b)(2)) is amended—

22 (1) by striking subparagraphs (A) and (B) and
23 inserting the following new subparagraphs:

24 “(A) not to exceed the lesser of—

1 “(i) in the case of a 1-family resi-
2 dence, the median 1-family house price in
3 the area, as determined by the Secretary;
4 and in the case of a 2-, 3-, or 4-family resi-
5 dence, the percentage of such median
6 price that bears the same ratio to such me-
7 dian price as the dollar amount limitation
8 in effect under section 305(a)(2) of the
9 Federal Home Loan Mortgage Corporation
10 Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or
11 4-family residence, respectively, bears to
12 the dollar amount limitation in effect
13 under such section for a 1-family resi-
14 dence; or

15 “(ii) the dollar amount limitation de-
16 termined under such section 305(a)(2) for
17 a residence of the applicable size;

18 except that the dollar amount limitation in ef-
19 fect for any area under this subparagraph may
20 not be less than the greater of (I) the dollar
21 amount limitation in effect under this section
22 for the area on October 21, 1998, or (II) 65
23 percent of the dollar limitation determined
24 under such section 305(a)(2) for a residence of
25 the applicable size; and

1 “(B) not to exceed the appraised value of
2 the property, plus any initial service charges,
3 appraisal, inspection and other fees in connec-
4 tion with the mortgage as approved by the Sec-
5 retary.”;

6 (2) in the matter after and below subparagraph
7 (B), by striking the second sentence (relating to a
8 definition of “average closing cost”) and all that fol-
9 lows through “title 38, United States Code”; and

10 (3) by striking the last undesignated paragraph
11 (relating to counseling with respect to the respon-
12 sibilities and financial management involved in
13 homeownership).

14 **SEC. 4. EXTENSION OF MORTGAGE TERM.**

15 Paragraph (3) of section 203(b) of the National
16 Housing Act (12 U.S.C. 1709(b)(3)) is amended—

17 (1) by striking “thirty-five years” and inserting
18 “forty years”; and

19 (2) by striking “(or thirty years if such mort-
20 gage is not approved for insurance prior to construc-
21 tion)”.

22 **SEC. 5. CASH INVESTMENT REQUIREMENT.**

23 Paragraph (9) of section 203(b) of the National
24 Housing Act (12 U.S.C. 1709(b)(9)) is amended by strik-

1 ing the paragraph designation and all that follows through
2 “*Provided further, That for*” and inserting the following:

3 “(9) Be executed by a mortgagor who shall
4 have paid on account of the property, in cash or its
5 equivalent, an amount, if any, as the Secretary may
6 determine based on factors determined by the Sec-
7 retary and commensurate with the likelihood of de-
8 fault. For”.

9 **SEC. 6. TEMPORARY REINSTATEMENT OF DOWNPAYMENT**
10 **REQUIREMENT IN EVENT OF INCREASED DE-**
11 **FAULTS.**

12 Section 203(b) of the National Housing Act (12
13 U.S.C. 1709(b)) is amended by adding at the end the fol-
14 lowing new paragraph:

15 “(10) EFFECT OF INCREASED DEFAULTS.—

16 “(A) ANNUAL DETERMINATION.—If, for
17 any calendar year described in subparagraph
18 (B)(i), the Secretary determines, pursuant such
19 subparagraph, that—

20 “(i) the ratio of the number of mort-
21 gage insurance claims made during such
22 calendar year on mortgages insured under
23 this section to the total number of mort-
24 gages having such insurance in force dur-
25 ing such calendar year exceeds, by 25 per-

1 cent or more, such ratio for the 12-month
2 period ending on the effective date of this
3 Act, or

4 “(ii) the ratio of the aggregate re-
5 maining principal obligation under mort-
6 gages insured under this section for which
7 an insurance claim is made during such
8 calendar year to the average, for such cal-
9 endar year, of the aggregate outstanding
10 principal obligation under mortgages so in-
11 sured exceeds, by 25 percent or more, such
12 ratio for the 12-month period ending on
13 such effective date,

14 during the 90-day period beginning upon the
15 submission of the report for such calendar year
16 under subparagraph (B)(ii) containing such de-
17 termination, the Secretary may insure a mort-
18 gage under this section only pursuant to the re-
19 quirement under subparagraph (C), and the
20 Secretary shall, not later than 60 days after
21 submission of the report containing such deter-
22 mination, submit a report to the Congress
23 under subparagraph (D) regarding mortgage
24 insurance claims during such calendar year.

1 “(B) 5 YEARS OF ANNUAL DETERMINA-
2 TIONS.—

3 “(i) IN GENERAL.—The Secretary
4 shall, for each of the 5 calendar years com-
5 mencing after the date of the enactment of
6 this Act, compare the ratios referred to in
7 subparagraph (A) and make a determina-
8 tion under such subparagraph.

9 “(ii) ANNUAL REPORT ON DE-
10 FAULTS.—Not later than 90 days after the
11 conclusion of each of the calendar years
12 described in clause (i), the Secretary shall
13 submit a report to the Congress containing
14 the determination of the Secretary under
15 such clause with respect to such calendar
16 year and setting forth the ratios referred
17 to in such clause for such calendar year.

18 “(C) REINSTATEMENT OF DOWNPAYMENT
19 REQUIREMENT.—The requirement under this
20 subparagraph is that paragraph (9) of this sub-
21 section shall apply as such paragraph was in ef-
22 fect on the day before the effective date of the
23 Expanding American Homeownership Act of
24 2007.

1 “(D) REPORTS REGARDING INCREASED
2 DEFAULT RATE.—A report under this subpara-
3 graph, as required under subparagraph (A),
4 shall contain—

5 “(i) an analysis of mortgage insurance
6 claims, made during the calendar year for
7 which the report is submitted, on mort-
8 gages insured under this section;

9 “(ii) an analysis of the reasons for the
10 increase during such calendar year in the
11 applicable ratio or ratios under subpara-
12 graph (A), including an analysis of the ex-
13 tent to which such increase is attributable
14 to the amendments made by the Expand-
15 ing American Homeownership Act of 2007;

16 “(iii) the effect of such increase on
17 the Mutual Mortgage Insurance Fund;

18 “(iv) recommendations regarding—

19 “(I) whether the Congress
20 should, to respond to such increase,
21 take legislative action (aa) to apply
22 paragraph (9) of this subsection as
23 such paragraph was in effect on the
24 day before the effective date of Ex-
25 panding American Homeownership

1 Act of 2007, (bb) to apply paragraph
2 (2)(A)(ii) by substituting ‘87 percent
3 of the dollar amount limitation’ for
4 ‘the dollar amount limitation’, or (cc)
5 both; and

6 “(II) whether such provisions
7 should be temporary or permanent,
8 and, if temporary, the period during
9 which such provisions should apply;
10 and

11 “(v) recommendations regarding any
12 other administrative, regulatory, legislative,
13 or other actions that should be taken to re-
14 spond to such increase.

15 “(E) DEFAULTS IN DISASTER AREAS NOT
16 COUNTED FOR 24 MONTHS.—In determining the
17 number of mortgage insurance claims made and
18 the aggregate remaining principal obligation
19 under mortgages for which an insurance claim
20 is made for purposes of subparagraph (A) for
21 any calendar year, the Secretary shall not take
22 into consideration any claim made during such
23 period on a mortgage on any property that is
24 located in an area for which a major disaster
25 was declared pursuant to the Robert T. Staf-

1 ford Disaster Relief and Emergency Assistance
2 Act if such claim was made during the 24-
3 month period beginning upon such declara-
4 tion.”.

5 **SEC. 7. MORTGAGE INSURANCE PREMIUMS.**

6 Section 203(c) of the National Housing Act (12
7 U.S.C. 1709(c)) is amended—

8 (1) in paragraph (2), in the matter preceding
9 subparagraph (A), by striking “Notwithstanding”
10 and inserting “Except as provided in paragraph (3)
11 and notwithstanding”; and

12 (2) by adding at the end the following new
13 paragraph:

14 “(3) FLEXIBLE RISK-BASED PREMIUMS.—

15 “(A) IN GENERAL.—For any mortgage insured
16 by the Secretary under this title that is secured by
17 a 1- to 4-family dwelling and for which the loan ap-
18 plication is received by the mortgagee on or after
19 October 1, 2007, the Secretary may establish a
20 mortgage insurance premium structure involving a
21 single premium payment collected prior to the insur-
22 ance of the mortgage or annual payments (which
23 may be collected on a periodic basis), or both, sub-
24 ject to the limitations in subparagraphs (B) and (C).

25 The rate of premium for such a mortgage may vary

1 during the mortgage term as long as the basis for
2 determining the variable rate is established before
3 the execution of the mortgage. The Secretary may
4 change a premium structure established under this
5 subparagraph but only to the extent that such
6 change is not applied to any mortgage already exe-
7 cuted.

8 “(B) MAXIMUM UP-FRONT PREMIUM
9 AMOUNTS.—For any mortgage insured under a pre-
10 mium structure established pursuant to this para-
11 graph, the amount of any single premium payment
12 authorized by subparagraph (A), if established and
13 collected prior to the insurance of the mortgage,
14 may not exceed the following amount:

15 “(i) Except as provided in clauses (ii) and
16 (iii), 3.0 percent of the amount of the original
17 insured principal obligation of the mortgage.

18 “(ii) If the mortgagor has a credit score
19 equivalent to a FICO score of 560 or more and
20 has paid on account of the property, in cash or
21 its equivalent, at least 3 percent of the Sec-
22 retary’s estimate of the cost of acquisition (ex-
23 cluding the mortgage insurance premium paid
24 at the time the mortgage is insured), 2.25 per-

1 cent of the original insured principal obligation
2 of the mortgage.

3 “(iii) If the annual premium payment is
4 equal to the maximum amount allowable under
5 clause (i) of subparagraph (C), 1.5 percent of
6 the amount of the original insured principal ob-
7 ligation of the mortgage.

8 “(C) MAXIMUM ANNUAL PREMIUM AMOUNTS.—
9 For any mortgage insured under a premium struc-
10 ture established pursuant to this paragraph, the
11 amount of any annual premium payment collected
12 may not exceed the following amount:

13 “(i) Except as provided in clauses (ii) and
14 (iii), 2.0 percent of the remaining insured prin-
15 cipal obligation of the mortgage.

16 “(ii) If the mortgagor is a mortgagor de-
17 scribed in clause (ii) of subparagraph (B), 0.55
18 percent of the remaining insured principal obli-
19 gation of the mortgage.

20 “(iii) If the single premium payment col-
21 lected at the time of insurance is equal to max-
22 imum amount allowable under clause (i) of sub-
23 paragraph (B), 1.0 percent of the remaining in-
24 sured principal obligation of the mortgage.

1 “(D) PAYMENT INCENTIVE.—Notwithstanding
2 subparagraph (C), for any mortgage insured under
3 a premium structure established pursuant to this
4 paragraph and for which the annual premium pay-
5 ment exceeds the amount set forth in subparagraph
6 (C)(ii), if during the 5-year period beginning upon
7 the time of insurance all mortgage insurance pre-
8 miums for such mortgage have been paid on a timely
9 basis, upon the expiration of such period the Sec-
10 retary shall reduce the amount of the annual pre-
11 mium payments due thereafter under such mortgage
12 to an amount equal to the amount set forth in sub-
13 paragraph (C)(ii).

14 “(E) ESTABLISHMENT AND ALTERATION OF
15 PREMIUM STRUCTURE.—A premium structure shall
16 be established or changed under subparagraph (A)
17 only by providing notice to mortgagees and to the
18 Congress, at least 30 days before the premium
19 structure is established or changed.

20 “(F) CONSIDERATIONS FOR PREMIUM STRUC-
21 TURE.—When establishing a premium structure
22 under subparagraph (A) or when changing such a
23 premium structure, the Secretary shall consider the
24 following:

1 “(i) The effect of the proposed premium
2 structure on the Secretary’s ability to meet the
3 operational goals of the Mutual Mortgage In-
4 surance Fund as provided in section 202(a).

5 “(ii) Underwriting variables.

6 “(iii) The extent to which new pricing
7 under the proposed premium structure has po-
8 tential for acceptance in the private market.

9 “(iv) The administrative capability of the
10 Secretary to administer the proposed premium
11 structure.

12 “(v) The effect of the proposed premium
13 structure on the Secretary’s ability to maintain
14 the availability of mortgage credit and provide
15 stability to mortgage markets.”.

16 **SEC. 8. REHABILITATION LOANS.**

17 Subsection (k) of section 203 of the National Hous-
18 ing Act (12 U.S.C. 1709(k)) is amended—

19 (1) in paragraph (1), by striking “on” and all
20 that follows through “1978”; and

21 (2) in paragraph (5)—

22 (A) by striking “General Insurance Fund”
23 the first place it appears and inserting “Mutual
24 Mortgage Insurance Fund”; and

1 (B) in the second sentence, by striking the
2 comma and all that follows through “General
3 Insurance Fund”.

4 **SEC. 9. DISCRETIONARY ACTION.**

5 The National Housing Act is amended—

6 (1) in subsection (e) of section 202 (12 U.S.C.
7 1708(e))—

8 (A) in paragraph (3)(B), by striking “sec-
9 tion 202(e) of the National Housing Act” and
10 inserting “this subsection”; and

11 (B) by redesignating such subsection as
12 subsection (f);

13 (2) by striking paragraph (4) of section 203(s)
14 (12 U.S.C. 1709(s)(4)) and inserting the following
15 new paragraph:

16 “(4) the Secretary of Agriculture;” and

17 (3) by transferring subsection (s) of section 203
18 (as amended by paragraph (2) of this section) to
19 section 202, inserting such subsection after sub-
20 section (d) of section 202, and redesignating such
21 subsection as subsection (e).

22 **SEC. 10. INSURANCE OF CONDOMINIUMS.**

23 (a) **IN GENERAL.**—Section 234 of the National
24 Housing Act (12 U.S.C. 1715y) is amended—

25 (1) in subsection (c)—

1 (A) in the first sentence—

2 (i) by striking “and” before “(2)”;

3 and

4 (ii) by inserting before the period at

5 the end the following: “, and (3) the

6 project has a blanket mortgage insured by

7 the Secretary under subsection (d)”;

8 (B) in clause (B) of the third sentence, by

9 striking “thirty-five years” and inserting “forty

10 years”; and

11 (2) in subsection (g), by striking “, except

12 that” and all that follows and inserting a period.

13 (b) **DEFINITION OF MORTGAGE.**—Section 201(a) of

14 the National Housing Act (12 U.S.C. 1707(a)) is amend-

15 ed—

16 (1) in clause (1), by striking “or” and inserting

17 a comma; and

18 (2) by inserting before the semicolon the fol-

19 lowing: “, or (c) a first mortgage given to secure the

20 unpaid purchase price of a fee interest in, or long-

21 term leasehold interest in, a one-family unit in a

22 multifamily project, including a project in which the

23 dwelling units are attached, semi-detached, or de-

24 tached, and an undivided interest in the common

25 areas and facilities which serve the project”.

1 **SEC. 11. MUTUAL MORTGAGE INSURANCE FUND.**

2 (a) **IN GENERAL.**—Subsection (a) of section 202 of
3 the National Housing Act (12 U.S.C. 1708(a)) is amended
4 to read as follows:

5 “(a) **MUTUAL MORTGAGE INSURANCE FUND.**—

6 “(1) **ESTABLISHMENT.**—Subject to the provi-
7 sions of the Federal Credit Reform Act of 1990,
8 there is hereby created a Mutual Mortgage Insur-
9 ance Fund (in this title referred to as the ‘Fund’),
10 which shall be used by the Secretary to carry out the
11 provisions of this title with respect to mortgages in-
12 sured under section 203. The Secretary may enter
13 into commitments to guarantee, and may guarantee,
14 such insured mortgages.

15 “(2) **LIMIT ON LOAN GUARANTEES.**—The au-
16 thority of the Secretary to enter into commitments
17 to guarantee such insured mortgages shall be effec-
18 tive for any fiscal year only to the extent that the
19 aggregate original principal loan amount under such
20 mortgages, any part of which is guaranteed, does
21 not exceed the amount specified in appropriations
22 Acts for such fiscal year.

23 “(3) **FIDUCIARY RESPONSIBILITY.**—The Sec-
24 retary has a responsibility to ensure that the Mutual
25 Mortgage Insurance Fund remains financially sound.

1 “(4) ANNUAL INDEPENDENT ACTUARIAL
2 STUDY.—The Secretary shall provide for an inde-
3 pendent actuarial study of the Fund to be conducted
4 annually, which shall analyze the financial position
5 of the Fund. The Secretary shall submit a report
6 annually to the Congress describing the results of
7 such study and assessing the financial status of the
8 Fund. The report shall recommend adjustments to
9 underwriting standards, program participation, or
10 premiums, if necessary, to ensure that the Fund re-
11 mains financially sound.

12 “(5) QUARTERLY REPORTS.—During each fiscal
13 year, the Secretary shall submit a report to the Con-
14 gress for each quarter, which shall specify for mort-
15 gages that are obligations of the Fund—

16 “(A) the cumulative volume of loan guar-
17 antee commitments that have been made during
18 such fiscal year through the end of the quarter
19 for which the report is submitted;

20 “(B) the types of loans insured, cat-
21 egorized by risk;

22 “(C) any significant changes between ac-
23 tual and projected claim and prepayment activ-
24 ity;

1 “(D) projected versus actual loss rates;
2 and

3 “(E) updated projections of the annual
4 subsidy rates to ensure that increases in risk to
5 the Fund are identified and mitigated by ad-
6 justments to underwriting standards, program
7 participation, or premiums, and the financial
8 soundness of the Fund is maintained.

9 The first quarterly report under this paragraph shall
10 be submitted on the last day of the first quarter of
11 fiscal year 2008, or upon the expiration of the 90-
12 day period beginning on the date of the enactment
13 of the Expanding American Homeownership Act of
14 2007, whichever is later.

15 “(6) ADJUSTMENT OF PREMIUMS.—If, pursu-
16 ant to the independent actuarial study of the Fund
17 required under paragraph (5), the Secretary deter-
18 mines that the Fund is not meeting the operational
19 goals established under paragraph (8) or there is a
20 substantial probability that the Fund will not main-
21 tain its established target subsidy rate, the Secretary
22 may either make programmatic adjustments under
23 section 203 as necessary to reduce the risk to the
24 Fund, or make appropriate premium adjustments.

1 “(7) OPERATIONAL GOALS.—The operational
2 goals for the Fund are—

3 “(A) to charge borrowers under loans that
4 are obligations of the Fund an appropriate pre-
5 mium for the risk that such loans pose to the
6 Fund;

7 “(B) to minimize the default risk to the
8 Fund and to homeowners;

9 “(C) to curtail the impact of adverse selec-
10 tion on the Fund; and

11 “(D) to meet the housing needs of the bor-
12 rowers that the single family mortgage insur-
13 ance program under this title is designed to
14 serve.”.

15 (b) OBLIGATIONS OF FUND.—The National Housing
16 Act is amended as follows:

17 (1) HOMEOWNERSHIP VOUCHER PROGRAM
18 MORTGAGES.—In section 203(v) (12 U.S.C.
19 1709(v))—

20 (A) by striking “Notwithstanding section
21 202 of this title, the” and inserting “The”; and

22 (B) by striking “General Insurance Fund”
23 the first place such term appears and all that
24 follows and inserting “Mutual Mortgage Insur-
25 ance Fund.”.

1 (2) HOME EQUITY CONVERSION MORTGAGES.—
2 Section 255(i)(2)(A) of the National Housing Act
3 (12 U.S.C. 1715z–20(i)(2)(A)) is amended by strik-
4 ing “General Insurance Fund” and inserting “Mu-
5 tual Mortgage Insurance Fund”.

6 (c) CONFORMING AMENDMENTS.—The National
7 Housing Act is amended—

8 (1) in section 205 (12 U.S.C. 1711), by striking
9 subsections (g) and (h); and

10 (2) in section 519(e) (12 U.S.C. 1735c(e)), by
11 striking “203(b)” and all that follows through
12 “203(i)” and inserting “203, except as determined
13 by the Secretary”.

14 **SEC. 12. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**
15 **TIONS.**

16 (a) HAWAIIAN HOME LANDS.—Section 247(c) of the
17 National Housing Act (12 U.S.C. 1715z–12) is amend-
18 ed—

19 (1) by striking “General Insurance Fund estab-
20 lished in section 519” and inserting “Mutual Mort-
21 gage Insurance Fund”; and

22 (2) in the second sentence, by striking “(1) all
23 references” and all that follows through “and (2)”.

1 (b) INDIAN RESERVATIONS.—Section 248(f) of the
2 National Housing Act (12 U.S.C. 1715z–13) is amend-
3 ed—

4 (1) by striking “General Insurance Fund” the
5 first place it appears through “519” and inserting
6 “Mutual Mortgage Insurance Fund”; and

7 (2) in the second sentence, by striking “(1) all
8 references” and all that follows through “and (2)”.

9 **SEC. 13. CONFORMING AND TECHNICAL AMENDMENTS.**

10 (a) REPEALS.—The following provisions of the Na-
11 tional Housing Act are repealed:

12 (1) Subsection (i) of section 203 (12 U.S.C.
13 1709(i)).

14 (2) Subsection (o) of section 203 (12 U.S.C.
15 1709(o)).

16 (3) Subsection (p) of section 203 (12 U.S.C.
17 1709(p)).

18 (4) Subsection (q) of section 203 (12 U.S.C.
19 1709(q)).

20 (5) Section 222 (12 U.S.C. 1715m).

21 (6) Section 237 (12 U.S.C. 1715z–2).

22 (7) Section 245 (12 U.S.C. 1715z–10).

23 (b) DEFINITION OF AREA.—Section 203(u)(2)(A) of
24 the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is
25 amended by striking “shall” and all that follows and in-

1 serting “means a metropolitan statistical area as estab-
2 lished by the Office of Management and Budget;”.

3 (c) **DEFINITION OF STATE.**—Section 201(d) of the
4 National Housing Act (12 U.S.C. 1707(d)) is amended by
5 striking “the Trust Territory of the Pacific Islands” and
6 inserting “the Commonwealth of the Northern Mariana
7 Islands”.

8 **SEC. 14. HOME EQUITY CONVERSION MORTGAGES.**

9 (a) **IN GENERAL.**—Section 255 of the National
10 Housing Act (12 U.S.C. 1715z–20) is amended—

11 (1) in subsection (g)—

12 (A) by striking the first sentence; and

13 (B) by striking “established under section
14 203(b)(2)” and all that follows through “lo-
15 cated” and inserting “limitation established
16 under section 305(a)(2) of the Federal Home
17 Loan Mortgage Corporation Act for a 1-family
18 residence”;

19 (2) in subsection (i)(1)(C), by striking “limita-
20 tions” and inserting “limitation”; and

21 (3) by adding at the end the following new sub-
22 section:

23 “(n) **AUTHORITY TO INSURE HOME PURCHASE**
24 **MORTGAGE.**—

1 “(1) IN GENERAL.—Notwithstanding any other
2 provision in this section, the Secretary may insure,
3 upon application by a mortgagee, a home equity con-
4 version mortgage upon such terms and conditions as
5 the Secretary may prescribe, when the primary pur-
6 pose of the home equity conversion mortgage is to
7 enable an elderly mortgagor to purchase a 1- to 4-
8 family dwelling in which the mortgagor will occupy
9 or occupies one of the units.

10 “(2) LIMITATION ON PRINCIPAL OBLIGATION.—
11 A home equity conversion mortgage insured pursu-
12 ant to paragraph (1) shall involve a principal obliga-
13 tion that does not exceed the dollar amount limita-
14 tion determined under section 305(a)(2) of the Fed-
15 eral Home Loan Mortgage Corporation Act for a
16 residence of the applicable size.”.

17 (b) MORTGAGES FOR COOPERATIVES.—Subsection
18 (b) of section 255 of the National Housing Act (12 U.S.C.
19 1715z–20(b)) is amended—

20 (1) in paragraph (4)—

21 (A) by inserting “a first or subordinate
22 mortgage or lien” before “on all stock”;

23 (B) by inserting “unit” after “dwelling”;

24 and

1 (C) by inserting “a first mortgage or first
2 lien” before “on a leasehold”; and

3 (2) in paragraph (5), by inserting “a first or
4 subordinate lien on” before “all stock”.

5 (c) STUDY REGARDING MORTGAGE INSURANCE PRE-
6 MIUMS.—The Secretary of Housing and Urban Develop-
7 ment shall conduct a study regarding mortgage insurance
8 premiums charged under the program under section 255
9 of the National Housing Act (12 U.S.C. 1715z–20) for
10 insurance of home equity conversion mortgages to analyze
11 and determine—

12 (1) the effects of reducing the amounts of such
13 premiums from the amounts charged as of the date
14 of the enactment of this Act on—

15 (A) costs to mortgagors; and

16 (B) the financial soundness of the pro-
17 gram; and

18 (2) the feasibility and effectiveness of exempt-
19 ing, from all the requirements under the program re-
20 garding payment of mortgage insurance premiums
21 (including both up-front or annual mortgage insur-
22 ance premiums under section 203(c)(2) of such Act),
23 any mortgage insured under the program under
24 which part or all of the amount of future payments
25 made to the homeowner are used for costs of a long-

1 term care insurance contract covering the mortgagor
2 or members of the household residing in the mort-
3 gaged property.

4 Not later than the expiration of the 12-month period be-
5 ginning on the date of the enactment of this Act, the Sec-
6 retary shall submit a report to the Congress setting forth
7 the results and conclusions of the study.

8 **SEC. 15. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

9 Section 203(h) of the National Housing Act (12
10 U.S.C. 1709) is amended—

11 (1) by inserting after “property” the following:
12 “plus any initial service charges, appraisal, inspec-
13 tion and other fees in connection with the mortgage
14 as approved by the Secretary,”;

15 (2) by striking the second sentence (as added
16 by chapter 7 of the Emergency Supplemental Appro-
17 priations Act of 1994 (Public Law 103–211; 108
18 Stat. 12)); and

19 (3) by adding at the end the following new sen-
20 tence: “In any case in which the single family resi-
21 dence to be insured under this subsection is within
22 a jurisdiction in which the President has declared a
23 major disaster to have occurred, the Secretary is au-
24 thorized, for a temporary period not to exceed 36
25 months from the date of such Presidential declara-

1 tion, to enter into agreements to insure a mortgage
2 which involves a principal obligation of up to 100
3 percent of the dollar limitation determined under
4 section 305(a)(2) of the Federal Home Loan Mort-
5 gage Corporation Act for a single family residence,
6 and not in excess of 100 percent of the appraised
7 value of the property plus any initial service charges,
8 appraisal, inspection and other fees in connection
9 with the mortgage as approved by the Secretary.”.

10 **SEC. 16. PARTICIPATION OF MORTGAGE BROKERS AND**
11 **CORRESPONDENT LENDERS.**

12 (a) DEFINITIONS.—

13 (1) IN GENERAL.—Section 201 of the National
14 Housing Act (12 U.S.C. 1707) is amended—

15 (A) by striking “As used in section 203 of
16 this title—” and inserting “As used in this title
17 and for purposes of participation in insurance
18 programs under this title, except as specifically
19 provided otherwise, the following definitions
20 shall apply:”;

21 (B) by striking subsection (b) and insert-
22 ing the following:

23 “(2) The term ‘mortgagee’ means any of the
24 following entities, and its successors and assigns, to
25 the extent such entity is approved by the Secretary:

1 “(A) A lender or correspondent lender,
2 who—

3 “(i) makes, underwrites, and services
4 mortgages;

5 “(ii) submits to the Secretary such fi-
6 nancial audits performed in accordance
7 with the standards for financial audits of
8 the Government Auditing Standards issued
9 by the Comptroller of the United States;

10 “(iii) meet the minimum net worth re-
11 quirement that the Secretary shall estab-
12 lish; and

13 “(iv) complies with such other re-
14 quirements as the Secretary may establish.

15 “(B) A correspondent lender who—

16 “(i) closes a mortgage in its name but
17 does not underwrite or service the mort-
18 gage;

19 “(ii) posts a surety bond, in lieu of
20 any requirement to provide audited finan-
21 cial statements or meet a minimum net
22 worth requirement, in—

23 “(I) a form satisfactory to the
24 Secretary; and

1 “(II) an amount of \$75,000, as
2 such amount is adjusted annually by
3 the Secretary (as determined under
4 regulations of the Secretary) by the
5 change for such year in the Consumer
6 Price Index for All Urban Consumers
7 published monthly by the Bureau of
8 Labor Statistics of the Department of
9 Labor; and

10 “(iii) complies with such other re-
11 quirements as the Secretary may establish.

12 “(C) A mortgage broker who—

13 “(i) closes the mortgage in the name
14 of the lender and does not make, under-
15 write, or service the mortgage;

16 “(ii) is licensed, under the laws of the
17 State in which the property that is subject
18 to the mortgage is located, to act as a
19 mortgage broker in such State;

20 “(iii) posts a surety bond in accord-
21 ance with the requirements of subpara-
22 graph (B)(ii); and

23 “(iv) complies with such other re-
24 quirements as the Secretary may establish.

1 “(3) The term ‘mortgagor’ includes the original
2 borrower under a mortgage and the successors and
3 assigns of the original borrower.”;

4 (C) in subsection (a), by redesignating
5 clauses (1) and (2) as clauses (A) and (B) re-
6 spectively; and

7 (D) by redesignating subsections (a), (c),
8 (d), (e), and (f) as paragraphs (1), (4), (5), (6),
9 and (7), respectively, and realigning such para-
10 graphs two ems from the left margin.

11 (2) MORTGAGEE REVIEW.—Section 202(c)(7) of
12 the National Housing Act (12 U.S.C. 1708(c)(7)) is
13 amended—

14 (A) in subparagraph (A), by inserting “, as
15 defined in section 201,” after “mortgagee”;

16 (B) by striking subparagraph (B); and

17 (C) by redesignating subparagraphs (C)
18 and (D) as subparagraphs (B) and (C), respec-
19 tively.

20 (3) MULTIFAMILY RENTAL HOUSING INSUR-
21 ANCE.—Section 207(a)(2) of the National Housing
22 Act (12 U.S.C. 1713(a)(2)) is amended by striking
23 “means the original lender under a mortgage, and
24 its successors and assigns, and” and inserting “has

1 the meaning given such term in section 201, except
2 that such term also”.

3 (4) **WAR HOUSING INSURANCE.**—Section 601(b)
4 of the National Housing Act (12 U.S.C. 1736(b)) is
5 amended by striking “includes the original lender
6 under a mortgage, and his successors and assigns
7 approved by the Secretary” and inserting “has the
8 meaning given such term in section 201”.

9 (5) **ARMED SERVICES HOUSING MORTGAGE IN-**
10 **SURANCE.**—Section 801(b) of the National Housing
11 Act (12 U.S.C. 1748(b)) is amended by striking “in-
12 cludes the original lender under a mortgage, and his
13 successors and assigns approved by the Secretary”
14 and inserting “has the meaning given such term in
15 section 201”.

16 (6) **GROUP PRACTICE FACILITIES MORTGAGE**
17 **INSURANCE.**—Section 1106(8) of the National
18 Housing Act (12 U.S.C. 1749aaa–5(8)) is amended
19 by striking “means the original lender under a mort-
20 gage, and his or its successors and assigns, and”
21 and inserting “has the meaning given such term in
22 section 201, except that such term also”.

23 (b) **ELIGIBILITY FOR INSURANCE.**—

1 (1) TITLE I.—Paragraph (1) of section 8(b) of
2 the National Housing Act (12 U.S.C. 1706e(b)(1))
3 is amended—

4 (A) by striking “, and be held by,”; and

5 (B) by striking “as responsible and able to
6 service the mortgage properly”.

7 (2) SINGLE FAMILY HOUSING MORTGAGE IN-
8 SURANCE.—Paragraph (1) of section 203(b) of the
9 National Housing Act (12 U.S.C. 1709(b)(1)) is
10 amended—

11 (A) by striking “, and be held by,”; and

12 (B) by striking “as responsible and able to
13 service the mortgage properly”.

14 (3) SECTION 221 MORTGAGE INSURANCE.—
15 Paragraph (1) of section 221(d) of the National
16 Housing Act (12 U.S.C. 1715l(d)(1)) is amended—

17 (A) by striking “ and be held by”; and

18 (B) by striking “as responsible and able to
19 service the mortgage properly”.

20 (4) HOME EQUITY CONVERSION MORTGAGE IN-
21 SURANCE.—Paragraph (1) of section 255(d) of the
22 National Housing Act (12 U.S.C. 1715z–20(d)(1))
23 is amended by striking “as responsible and able to
24 service the mortgage properly”.

1 (5) WAR HOUSING MORTGAGE INSURANCE.—

2 Paragraph (1) of section 603(b) of the National
3 Housing Act (12 U.S.C. 1738(b)(1)) is amended—

4 (A) by striking “, and be held by,”; and

5 (B) by striking “as responsible and able to
6 service the mortgage properly”.

7 (6) WAR HOUSING MORTGAGE INSURANCE FOR
8 LARGE-SCALE HOUSING PROJECTS.—Paragraph (1)
9 of section 611(b) of the National Housing Act (12
10 U.S.C. 1746(b)(1)) is amended—

11 (A) by striking “ and be held by”; and

12 (B) by striking “as responsible and able to
13 service the mortgage properly”.

14 (7) GROUP PRACTICE FACILITY MORTGAGE IN-
15 SURANCE.—Section 1101(b)(2) of the National
16 Housing Act (12 U.S.C. 1749aaa(b)(2)) is amend-
17 ed—

18 (A) by striking “ and held by”; and

19 (B) by striking “as responsible and able to
20 service the mortgage properly”.

21 (8) NATIONAL DEFENSE HOUSING INSUR-
22 ANCE.—Paragraph (1) of section 903(b) of the Na-
23 tional Housing Act (12 U.S.C. 1750b(b)(1)) is
24 amended—

25 (A) by striking “, and be held by,”; and

1 (B) by striking “as responsible and able to
2 service the mortgage properly”.

3 **SEC. 17. SENSE OF CONGRESS REGARDING TECHNOLOGY**
4 **FOR FINANCIAL SYSTEMS.**

5 (a) CONGRESSIONAL FINDINGS.—The Congress finds
6 the following:

7 (1) The Government Accountability Office has
8 cited the FHA single family housing mortgage insur-
9 ance program as a “high-risk” program, with a pri-
10 mary reason being non-integrated and out-dated fi-
11 nancial management systems.

12 (2) The “Audit of the Federal Housing Admin-
13 istration’s Financial Statements for Fiscal Years
14 2004 and 2003”, conducted by the Inspector Gen-
15 eral of the Department of Housing and Urban De-
16 velopment reported as a material weakness that
17 “HUD/FHA’s automated data processing [ADP]
18 system environment must be enhanced to more effec-
19 tively support FHA’s business and budget proc-
20 esses”.

21 (3) Existing technology systems for the FHA
22 program have not been updated to meet the latest
23 standards of the Mortgage Industry Standards
24 Maintenance Organization and have numerous defi-
25 ciencies that lenders have outlined.

1 (4) Improvements to technology used in the
2 FHA program will—

3 (A) allow the FHA program to improve the
4 management of the FHA portfolio, garner
5 greater efficiencies in its operations, and lower
6 costs across the program;

7 (B) result in efficiencies and lower costs
8 for lenders participating in the program, allow-
9 ing them to better use the FHA products in ex-
10 tending homeownership opportunities to higher
11 credit risk or lower-income families, in a sound
12 manner.

13 (5) The Mutual Mortgage Insurance Fund op-
14 erates without cost to the taxpayers and generates
15 revenues for the Federal Government.

16 (b) SENSE OF CONGRESS.—It is the sense of the
17 Congress that—

18 (1) the Secretary of Housing and Urban Devel-
19 opment should use a portion of the funds received
20 from premiums paid for FHA single family housing
21 mortgage insurance that are in excess of the
22 amounts paid out in claims to substantially increase
23 the funding for technology used in such FHA pro-
24 gram;

1 (2) the goal of this investment should be to
2 bring the technology used in such FHA program to
3 the level and sophistication of the technology used in
4 the conventional mortgage lending market, or to ex-
5 ceed such level; and

6 (3) the Secretary of Housing and Urban Devel-
7 opment should report to the Congress not later than
8 180 days after the date of the enactment of this Act
9 regarding the progress the Department is making
10 toward such goal and if progress is not sufficient,
11 the resources needed to make greater progress.

12 **SEC. 18. SAVINGS PROVISION.**

13 Any mortgage insured under title II of the National
14 Housing Act before the date of enactment of this Act shall
15 continue to be governed by the laws, regulations, orders,
16 and terms and conditions to which it was subject on the
17 day before the date of the enactment of this Act.

18 **SEC. 19. IMPLEMENTATION.**

19 The Secretary of Housing and Urban Development
20 shall by notice establish any additional requirements that
21 may be necessary to immediately carry out the provisions
22 of this Act. The notice shall take effect upon issuance.