

CASTLE  
H.L.C.  
002

**AMENDMENT TO THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO H.R. 3915  
OFFERED BY MR. CASTLE OF DELAWARE**

Page 72, after line 24, insert the following new section:

1 **SEC. 211. SAFE HARBOR FOR HOLDERS ENGAGED IN TROU-**  
2 **BLED DEBT RESTRUCTURING WITH REGARD**  
3 **TO RESIDENTIAL MORTGAGE LOANS.**

4 Section 129B of the Truth in Lending Act is amend-  
5 ed by inserting after subsection (l) (as added by section  
6 206) the following new subsection:

7 “(m) SAFE HARBOR FOR HOLDERS ENGAGED IN  
8 TROUBLED DEBT RESTRUCTURING WITH REGARD TO  
9 RESIDENTIAL MORTGAGE LOANS.—

10 “(1) IN GENERAL.—Notwithstanding any other  
11 provision of Federal or State law, or any Federal or  
12 State regulation, any creditor, assignee, securitizer,  
13 or other holder of a residential mortgage loan shall  
14 not be liable to, or subject to litigation by, any inves-  
15 tor or other third party, and shall not be subject to  
16 regulatory or enforcement actions by any Federal or  
17 State agency, because of the terms of any qualified

1 loan modification or workout plan on any loan that  
2 was consummated on or after January 1, 2004.

3 “(2) QUALIFIED LOAN MODIFICATION OR  
4 WORKOUT PLAN.— The term ‘qualified loan modi-  
5 fication or workout plan’ means a troubled debt re-  
6 structuring that meets the following criteria with re-  
7 spect to a residential mortgage loan:

8 “(A) The loan is in payment default under  
9 the loan agreements or payment default is im-  
10 minent or reasonably foreseeable.

11 “(B) The creditor, assignee, securitizer, or  
12 other holder reasonably believes that the net  
13 present value to be realized on the loan will be  
14 maximized by entering into the workout plan.

15 “(C) The consumer is not required to pay  
16 unreasonable or excessive fees under the work-  
17 out plan.

18 “(D) If the workout plan is a loan modi-  
19 fication, the modified loan meets all of the fol-  
20 lowing criteria:

21 “(i) INTEREST RATE.—The modified  
22 interest rate is within the permissible  
23 range, except that if the consumer cannot  
24 reasonably make payments on the modified  
25 loan in the permissible range, the rate on

1 the modified loan may be reduced to not  
2 more 2 percent below the minimum rate,  
3 but only for a term not to exceed 2 years,  
4 at the end of which the rate will increase  
5 so as to be within the permissible range.

6 “(ii) DEBT-TO-INCOME RATIO.—The  
7 consumer’s debt-to income ratio does not  
8 exceed 50 percent or such other percentage  
9 as the Board may prescribe by regulation.

10 “(iii) TERM.—The loan term may not  
11 be extended beyond a date 30 years after  
12 the date of the loan modification.

13 “(iv) LOANS HELD IN  
14 SECURITIZATION VEHICLE.—The modifica-  
15 tion will not cause the aggregate principal  
16 balances of all loans subject to modifica-  
17 tion agreements in the securitization vehi-  
18 cle to exceed by 10 percent the aggregate  
19 principal balances of all loans in the pool.

20 “(v) CAPITALIZATION OF ARREAR-  
21 AGES.—Delinquent interest and arrearages  
22 may be capitalized as part of the modifica-  
23 tion agreement.

24 “(3) DEFINITIONS.—For purposes of this sub-  
25 section, the following definitions shall apply: