

106TH CONGRESS  
2D SESSION

# S. 2806

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

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## IN THE SENATE OF THE UNITED STATES

JUNE 28, 2000

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

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## A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Credit Watch Act of  
5 2000”.

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

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

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

10 “(a) IN GENERAL.—To reduce losses in connection  
11 with single family mortgage insurance programs under  
12 this Act, not less frequently than annually, the Secretary  
13 shall—

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

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

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

1           “(1) IN GENERAL.—Notwithstanding section  
2           202(c), if, based on a comparison under subsection  
3           (a)(2) of this section, the Secretary determines that  
4           the mortgage loans originated or underwritten by a  
5           mortgagee present an unacceptable risk to the in-  
6           surance funds, the Secretary may terminate the ap-  
7           proval of that mortgagee to originate or underwrite  
8           single family mortgages. A determination under this  
9           paragraph shall be made in accordance with regula-  
10          tions issued by the Secretary (which may include  
11          any regulation published before the date of enact-  
12          ment of this section, as determined by the Sec-  
13          retary).

14           “(2) TERMINATION PROCEDURES.—

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

20           “(B) MEETING.—Not later than 30 days  
21           after receiving a written notice under subpara-  
22           graph (A), the mortgagee may submit to the  
23           Secretary a written request for a meeting re-  
24           garding the termination. Upon receipt of a writ-  
25           ten request under this subparagraph, the Sec-

1           retary shall provide the mortgagee with a meet-  
2           ing with the official authorized to issue termi-  
3           nation notices on behalf of the Secretary (or a  
4           designee of that official). At the meeting, the  
5           mortgagee may present for consideration spe-  
6           cific factors that the mortgagee believes were  
7           beyond the control of the mortgagee that con-  
8           tributed to the excessive default and claim rate.

9           “(C) EFFECTIVE DATE.—A termination  
10          under this subsection shall take effect 60 days  
11          after the date on which written notice is pro-  
12          vided to the mortgagee under subparagraph  
13          (A), unless the Secretary withdraws the termi-  
14          nation notice or extends the notice period.

15          “(c) AREA DEFINED.—In this section, the term  
16          ‘area’ means each geographic area in which the mortgagee  
17          is authorized by the Secretary to originate insured single-  
18          family mortgages.”.

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