109th CONGRESS
2d Session

H. R. 5121

AN ACT

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

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To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Expanding American Homeownership Act of 2006''.

(b) TABLE OF CONTENTS.—The table of contents for 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.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that—

(1) one of the primary missions of the Federal Housing Administration (FHA) single family mortgage insurance program is to reach borrowers who are underserved, or not served, by the existing conventional mortgage marketplace;

(2) the FHA program has a long history of innovation, which includes pioneering the 30-year self-amortizing mortgage and a safe-to-seniors reverse

mortgage product, both of which were once thought too risky to private lenders;

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

(4) the FHA mortgage insurance premium structure, as well as FHA's product offerings, should be revised to reflect FHA's enhanced ability to determine risk at the loan level and to allow FHA to better respond to changes in the mortgage market;

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

(6) as housing price appreciation slows and interest rates rise, many homeowners and prospective homebuyers will need the less-expensive, safer financing alternative that FHA mortgage insurance provides.

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

(1) to provide flexibility to FHA to allow for the insurance of housing loans for low- and mod-

erate-income homebuyers during all economic cycles in the mortgage market;

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

(3) to adjust the loan limits for the single family mortgage insurance program to reflect rising house prices and the increased costs associated with new construction.

SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.

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

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

"(A) not to exceed the lesser of—

"(i) in the case of a 1-family residence, the median 1-family house price in the area, as determined by the Secretary; and in the case of a 2-, 3-, or 4-family residence, the percentage of such median price that bears the same ratio to such median price as the dollar amount limitation in effect under section 305(a)(2) of the Federal Home Loan Mortgage Corporation

Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family residence, respectively, bears to the dollar amount limitation in effect under such section for a 1-family residence; or

"(ii) the dollar amount limitation determined under such section 305(a)(2) for a residence of the applicable size;

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

"(B) not to exceed the appraised value of the property, plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.";

(2) in the matter after and below subparagraph (B), by striking the second sentence (relating to a definition of "average closing cost") and all that follows through "title 38, United States Code"; and

(3) by striking the last undesignated paragraph (relating to counseling with respect to the responsibilities and financial management involved in homeownership).

SEC. 4. EXTENSION OF MORTGAGE TERM.

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

(1) by striking ''thirty-five years'' and inserting ''forty years''; and

(2) by striking ''(or thirty years if such mortgage is not approved for insurance prior to construction)''.

SEC. 5. CASH INVESTMENT REQUIREMENT.

Paragraph (9) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(9) is amended by striking the paragraph designation and all that follows through ''*Provided further*, That for'' and inserting the following:

''(9) Be executed by a mortgagor who shall have paid on account of the property, in cash or its equivalent, an amount, if any, as the Secretary may determine based on factors determined by the Secretary and commensurate with the likelihood of default. For''.

SEC. 6. TEMPORARY REINSTATEMENT OF DOWNPAYMENT REQUIREMENT IN EVENT OF INCREASED DEFAULTS.

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

"(10) EFFECT OF INCREASED DEFAULTS.—

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

"(i) the ratio of the number of mortgage insurance claims made during such calendar year on mortgages insured under this section to the total number of mortgages having such insurance in force during such calendar year exceeds, by 25 percent or more, such ratio for the 12-month period ending on the effective date of this Act, or

"(ii) the ratio of the aggregate remaining principal obligation under mortgages insured under this section for which an insurance claim is made during such calendar year to the average, for such calendar year, of the aggregate outstanding

principal obligation under mortgages so insured exceeds, by 25 percent or more, such ratio for the 12-month period ending on such effective date,

during the 90-day period beginning upon the submission of the report for such calendar year under subparagraph (B)(ii) containing such determination, the Secretary may insure a mortgage under this section only pursuant to the requirement under subparagraph (C), and the Secretary shall, not later than 60 days after submission of the report containing such determination, submit a report to the Congress under subparagraph (D) regarding mortgage insurance claims during such calendar year.

"(B) 5 YEARS OF ANNUAL DETERMINATIONS.—

"(i) IN GENERAL.—The Secretary shall, for each of the 5 calendar years commencing after the date of the enactment of this Act, compare the ratios referred to in subparagraph (A) and make a determination under such subparagraph.

"(ii) ANNUAL REPORT ON DEFAULTS.—Not later than 90 days after the

conclusion of each of the calendar years described in clause (i), the Secretary shall submit a report to the Congress containing the determination of the Secretary under such clause with respect to such calendar year and setting forth the ratios referred to in such clause for such calendar year.

"(C) REINSTATEMENT OF DOWNPAYMENT REQUIREMENT.—The requirement under this subparagraph is that paragraph (9) of this subsection shall apply as such paragraph was in effect on the day before the effective date of the Expanding American Homeownership Act of 2006.

"(D) REPORTS REGARDING INCREASED DEFAULT RATE.—A report under this subparagraph, as required under subparagraph (A), shall contain—

"(i) an analysis of mortgage insurance claims, made during the calendar year for which the report is submitted, on mortgages insured under this section;

"(ii) an analysis of the reasons for the increase during such calendar year in the applicable ratio or ratios under subpara-

graph (A), including an analysis of the extent to which such increase is attributable to the amendments made by the Expanding American Homeownership Act of 2006;

"(iii) the effect of such increase on the Mutual Mortgage Insurance Fund;

"(iv) recommendations regarding—

"(I) whether the Congress should, to respond to such increase, take legislative action (aa) to apply paragraph (9) of this subsection as such paragraph was in effect on the day before the effective date of Expanding American Homeownership Act of 2006, (bb) to apply paragraph (2)(A)(ii) by substituting '87 percent of the dollar amount limitation' for 'the dollar amount limitation', or (cc) both; and

"(II) whether such provisions should be temporary or permanent, and, if temporary, the period during which such provisions should apply; and

"(v) recommendations regarding any other administrative, regulatory, legislative, or other actions that should be taken to respond to such increase.

"(E) DEFAULTS IN DISASTER AREAS NOT COUNTED FOR 24 MONTHS.—In determining the number of mortgage insurance claims made and the aggregate remaining principal obligation under mortgages for which an insurance claim is made for purposes of subparagraph (A) for any calendar year, the Secretary shall not take into consideration any claim made during such period on a mortgage on any property that is located in an area for which a major disaster was declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act if such claim was made during the 24-month period beginning upon such declaration.".

SEC. 7. MORTGAGE INSURANCE PREMIUMS.

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

(1) in paragraph (2), in the matter preceding subparagraph (A), by striking "Notwithstanding"

and inserting ''Except as provided in paragraph (3) and notwithstanding''; and

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

''(3) FLEXIBLE RISK-BASED PREMIUMS.—

''(A) IN GENERAL.—For any mortgage insured by the Secretary under this title that is secured by a 1- to 4-family dwelling and for which the loan application is received by the mortgagee on or after October 1, 2006, the Secretary may establish a mortgage insurance premium structure involving a single premium payment collected prior to the insurance of the mortgage or annual payments (which may be collected on a periodic basis), or both, subject to the limitations in subparagraphs (B) and (C). The rate of premium for such a mortgage may vary during the mortgage term as long as the basis for determining the variable rate is established before the execution of the mortgage. The Secretary may change a premium structure established under this subparagraph but only to the extent that such change is not applied to any mortgage already executed.

''(B) MAXIMUM UP-FRONT PREMIUM AMOUNTS.—For any mortgage insured under a pre-

mium structure established pursuant to this paragraph, the amount of any single premium payment authorized by subparagraph (A), if established and collected prior to the insurance of the mortgage, may not exceed the following amount:

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

"(ii) If the mortgagor has a credit score equivalent to a FICO score of 560 or more and has paid on account of the property, in cash or its equivalent, at least 3 percent of the Secretary's estimate of the cost of acquisition (excluding the mortgage insurance premium paid at the time the mortgage is insured), 2.25 percent of the original insured principal obligation of the mortgage.

"(iii) If the annual premium payment is equal to the maximum amount allowable under clause (i) of subparagraph (C), 1.5 percent of the amount of the original insured principal obligation of the mortgage.

"(C) MAXIMUM ANNUAL PREMIUM AMOUNTS.—For any mortgage insured under a premium structure established pursuant to this paragraph, the

amount of any annual premium payment collected may not exceed the following amount:

"(i) Except as provided in clauses (ii) and (iii), 2.0 percent of the remaining insured principal obligation of the mortgage.

"(ii) If the mortgagor is a mortgagor described in clause (ii) of subparagraph (B), 0.55 percent of the remaining insured principal obligation of the mortgage.

"(iii) If the single premium payment collected at the time of insurance is equal to maximum amount allowable under clause (i) of subparagraph (B), 1.0 percent of the remaining insured principal obligation of the mortgage.

"(D) PAYMENT INCENTIVE.—Notwithstanding subparagraph (C), for any mortgage insured under a premium structure established pursuant to this paragraph and for which the annual premium payment exceeds the amount set forth in subparagraph (C)(ii), if during the 5-year period beginning upon the time of insurance all mortgage insurance premiums for such mortgage have been paid on a timely basis, upon the expiration of such period the Secretary shall reduce the amount of the annual premium payments due thereafter under such mortgage

to an amount equal to the amount set forth in subparagraph (C)(ii).

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

"(F) CONSIDERATIONS FOR PREMIUM STRUCTURE.—When establishing a premium structure under subparagraph (A) or when changing such a premium structure, the Secretary shall consider the following:

"(i) The effect of the proposed premium structure on the Secretary's ability to meet the operational goals of the Mutual Mortgage Insurance Fund as provided in section 202(a).

"(ii) Underwriting variables.

"(iii) The extent to which new pricing under the proposed premium structure has potential for acceptance in the private market.

"(iv) The administrative capability of the Secretary to administer the proposed premium structure.

"(v) The effect of the proposed premium structure on the Secretary's ability to maintain the availability of mortgage credit and provide stability to mortgage markets.".

SEC. 8. REHABILITATION LOANS.

Subsection (k) of section 203 of the National Housing Act (12 U.S.C. 1709(k)) is amended—

(1) in paragraph (1), by striking "on" and all that follows through "1978"; and

(2) in paragraph (5)—

(A) by striking "General Insurance Fund" the first place it appears and inserting "Mutual Mortgage Insurance Fund"; and

(B) in the second sentence, by striking the comma and all that follows through "General Insurance Fund".

SEC. 9. DISCRETIONARY ACTION.

The National Housing Act is amended—

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

(A) in paragraph (3)(B), by striking "section 202(e) of the National Housing Act" and inserting "this subsection"; and

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

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

''(4) the Secretary of Agriculture;''; and

(3) by transferring subsection (s) of section 203 (as amended by paragraph (2) of this section) to section 202, inserting such subsection after subsection (d) of section 202, and redesignating such subsection as subsection (e).

SEC. 10. INSURANCE OF CONDOMINIUMS.

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

(1) in subsection (c)—

(A) in the first sentence—

(i) by striking ''and'' before ''(2)''; and

(ii) by inserting before the period at the end the following: '', and (3) the project has a blanket mortgage insured by the Secretary under subsection (d)''; and

(B) in clause (B) of the third sentence, by striking ''thirty-five years'' and inserting ''forty years''; and

(2) in subsection (g), by striking '', except that'' and all that follows and inserting a period.

(b) DEFINITION OF MORTGAGE.—Section 201(a) of the National Housing Act (12 U.S.C. 1707(a)) is amended—

(1) in clause (1), by striking ''or'' and inserting a comma; and

(2) by inserting before the semicolon the following: '', or (c) a first mortgage given to secure the unpaid purchase price of a fee interest in, or long-term leasehold interest in, a one-family unit in a multifamily project, including a project in which the dwelling units are attached, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project''.

SEC. 11. MUTUAL MORTGAGE INSURANCE FUND.

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

''(a) MUTUAL MORTGAGE INSURANCE FUND.—

''(1) ESTABLISHMENT.—Subject to the provisions of the Federal Credit Reform Act of 1990, there is hereby created a Mutual Mortgage Insurance Fund (in this title referred to as the 'Fund'), which shall be used by the Secretary to carry out the provisions of this title with respect to mortgages insured under section 203. The Secretary may enter

1 into commitments to guarantee, and may guarantee,
2 such insured mortgages.
3 "(2) LIMIT ON LOAN GUARANTEES.—The au-
4 thority of the Secretary to enter into commitments
5 to guarantee such insured mortgages shall be effec-
6 tive for any fiscal year only to the extent that the
7 aggregate original principal loan amount under such
8 mortgages, any part of which is guaranteed, does
9 not exceed the amount specified in appropriations
10 Acts for such fiscal year.
11 "(3) FIDUCIARY RESPONSIBILITY.—The Sec-
12 retary has a responsibility to ensure that the Mutual
13 Mortgage Insurance Fund remains financially sound.
14 "(4) ANNUAL INDEPENDENT ACTUARIAL
15 STUDY.—The Secretary shall provide for an inde-
16 pendent actuarial study of the Fund to be conducted
17 annually, which shall analyze the financial position
18 of the Fund. The Secretary shall submit a report
19 annually to the Congress describing the results of
20 such study and assessing the financial status of the
21 Fund. The report shall recommend adjustments to
22 underwriting standards, program participation, or
23 premiums, if necessary, to ensure that the Fund re-
24 mains financially sound.

"(5) QUARTERLY REPORTS.—During each fiscal year, the Secretary shall submit a report to the Congress for each quarter, which shall specify for mortgages that are obligations of the Fund—

"(A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;

"(B) the types of loans insured, categorized by risk;

"(C) any significant changes between actual and projected claim and prepayment activity;

"(D) projected versus actual loss rates; and

"(E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

The first quarterly report under this paragraph shall be submitted on the last day of the first quarter of fiscal year 2007, or upon the expiration of the 90-day period beginning on the date of the enactment

of the Expanding American Homeownership Act of 2006, whichever is later.

"(6) ADJUSTMENT OF PREMIUMS.—If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

"(7) OPERATIONAL GOALS.—The operational goals for the Fund are—

"(A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

"(B) to minimize the default risk to the Fund and to homeowners;

"(C) to curtail the impact of adverse selection on the Fund; and

"(D) to meet the housing needs of the borrowers that the single family mortgage insur-

ance program under this title is designed to serve.''.

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

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

(A) by striking ''Notwithstanding section 202 of this title, the'' and inserting ''The''; and

(B) by striking ''General Insurance Fund'' the first place such term appears and all that follows and inserting ''Mutual Mortgage Insurance Fund.''.

(2) HOME EQUITY CONVERSION MORTGAGES.—Section 255(i)(2)(A) of the National Housing Act (12 U.S.C. 1715z–20(i)(2)(A)) is amended by striking ''General Insurance Fund'' and inserting ''Mutual Mortgage Insurance Fund''.

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

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

(2) in section 519(e) (12 U.S.C. 1735c(e)), by striking ''203(b)'' and all that follows through

"203(i)" and inserting "203, except as determined by the Secretary".

SEC. 12. HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.

(a) HAWAIIAN HOME LANDS.—Section 247(c) of the National Housing Act (12 U.S.C. 1715z–12) is amended—

(1) by striking "General Insurance Fund established in section 519" and inserting "Mutual Mortgage Insurance Fund"; and

(2) in the second sentence, by striking "(1) all references" and all that follows through "and (2)".

(b) INDIAN RESERVATIONS.—Section 248(f) of the National Housing Act (12 U.S.C. 1715z–13) is amended—

(1) by striking "General Insurance Fund" the first place it appears through "519" and inserting "Mutual Mortgage Insurance Fund"; and

(2) in the second sentence, by striking "(1) all references" and all that follows through "and (2)".

SEC. 13. CONFORMING AND TECHNICAL AMENDMENTS.

(a) REPEALS.—The following provisions of the National Housing Act are repealed:

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

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

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

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

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

(6) Section 237 (12 U.S.C. 1715z–2).

(7) Section 245 (12 U.S.C. 1715z–10).

(b) DEFINITION OF AREA.—Section 203(u)(2)(A) of the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is amended by striking ''shall'' and all that follows and inserting ''means a metropolitan statistical area as established by the Office of Management and Budget;''.

(c) DEFINITION OF STATE.—Section 201(d) of the National Housing Act (12 U.S.C. 1707(d)) is amended by striking ''the Trust Territory of the Pacific Islands'' and inserting ''the Commonwealth of the Northern Mariana Islands''.

SEC. 14. HOME EQUITY CONVERSION MORTGAGES.

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

(1) in subsection (g)—

(A) by striking the first sentence; and

(B) by striking ''established under section 203(b)(2)'' and all that follows through ''located'' and inserting ''limitation established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a 1-family residence'';

(2) in subsection (i)(1)(C), by striking ''limitations'' and inserting ''limitation''; and

(3) by adding at the end the following new subsection:

''(n) AUTHORITY TO INSURE HOME PURCHASE MORTGAGE.—

''(1) IN GENERAL.—Notwithstanding any other provision in this section, the Secretary may insure, upon application by a mortgagee, a home equity conversion mortgage upon such terms and conditions as the Secretary may prescribe, when the primary purpose of the home equity conversion mortgage is to enable an elderly mortgagor to purchase a 1-to 4 family dwelling in which the mortgagor will occupy or occupies one of the units.

''(2) LIMITATION ON PRINCIPAL OBLIGATION.—A home equity conversion mortgage insured pursuant to paragraph (1) shall involve a principal obligation that does not exceed the dollar amount limita-

tion determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of the applicable size.''.

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

(1) in paragraph (4)—

(A) by inserting ''a first or subordinate mortgage or lien'' before ''on all stock'';

(B) by inserting ''unit'' after ''dwelling''; and

(C) by inserting ''a first mortgage or first lien'' before ''on a leasehold''; and

(2) in paragraph (5), by inserting ''a first or subordinate lien on'' before ''all stock''.

(c) STUDY REGARDING MORTGAGE INSURANCE PREMIUMS.—The Secretary of Housing and Urban Development shall conduct a study regarding mortgage insurance premiums charged under the program under section 255 of the National Housing Act (12 U.S.C. 1715z-20) for insurance of home equity conversion mortgages to analyze and determine—

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

(A) costs to mortgagors; and

(B) the financial soundness of the program; and

(2) the feasibility and effectiveness of exempting, from all the requirements under the program regarding payment of mortgage insurance premiums (including both up-front or annual mortgage insurance premiums under section 203(c)(2) of such Act), any mortgage insured under the program under which part or all of the amount of future payments made to the homeowner are used for costs of a long-term care insurance contract covering the mortgagor or members of the household residing in the mortgaged property.

Not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the Secretary shall submit a report to the Congress setting forth the results and conclusions of the study.

SEC. 15. CONFORMING LOAN LIMIT IN DISASTER AREAS.

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

(1) by inserting after ''property'' the following: ''plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary,'';

(2) by striking the second sentence (as added by chapter 7 of the Emergency Supplemental Appropriations Act of 1994 (Public Law 103–211; 108 Stat. 12)); and

(3) by adding at the end the following new sentence: ''In any case in which the single family residence to be insured under this subsection is within a jurisdiction in which the President has declared a major disaster to have occurred, the Secretary is authorized, for a temporary period not to exceed 36 months from the date of such Presidential declaration, to enter into agreements to insure a mortgage which involves a principal obligation of up to 100 percent of the dollar limitation determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, and not in excess of 100 percent of the appraised value of the property plus any initial service charges, appraisal, inspection and other fees in connection with the mortgage as approved by the Secretary.''.

SEC. 16. PARTICIPATION OF MORTGAGE BROKERS AND CORRESPONDENT LENDERS.

(a) DEFINITIONS.—

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

(A) by striking ''As used in section 203 of this title—'' and inserting ''As used in this title and for purposes of participation in insurance programs under this title, except as specifically provided otherwise, the following definitions shall apply:'';

(B) by striking subsection (b) and inserting the following:

''(2) The term 'mortgagee' means any of the following entities, and its successors and assigns, to the extent such entity is approved by the Secretary:

''(A) A lender or correspondent lender, who—

''(i) makes, underwrites, and services mortgages;

''(ii) submits to the Secretary such financial audits performed in accordance with the standards for financial audits of the Government Auditing Standards issued by the Comptroller of the United States;

''(iii) meet the minimum net worth requirement that the Secretary shall establish; and

''(iv) complies with such other requirements as the Secretary may establish.

"(B) A correspondent lender who—

"(i) closes a mortgage in its name but does not underwrite or service the mortgage;

"(ii) posts a surety bond, in lieu of any requirement to provide audited financial statements or meet a minimum net worth requirement, in—

"(I) a form satisfactory to the Secretary; and

"(II) an amount of $75,000, as such amount is adjusted annually by the Secretary (as determined under regulations of the Secretary) by the change for such year in the Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the Department of Labor; and

"(iii) complies with such other requirements as the Secretary may establish.

"(C) A mortgage broker who—

"(i) closes the mortgage in the name of the lender and does not make, underwrite, or service the mortgage;

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

"(iii) posts a surety bond in accordance with the requirements of subparagraph (B)(ii); and

"(iv) complies with such other requirements as the Secretary may establish.

"(3) The term 'mortgagor' includes the original borrower under a mortgage and the successors and assigns of the original borrower.";

(C) in subsection (a), by redesignating clauses (1) and (2) as clauses (A) and (B) respectively; and

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

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

(A) in subparagraph (A), by inserting ", as defined in section 201," after "mortgagee";

(B) by striking subparagraph (B); and

(C) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(3) MULTIFAMILY RENTAL HOUSING INSURANCE.—Section 207(a)(2) of the National Housing Act (12 U.S.C. 1713(a)(2)) is amended by striking ''means the original lender under a mortgage, and its successors and assigns, and'' and inserting ''has the meaning given such term in section 201, except that such term also''.

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

(5) ARMED SERVICES HOUSING MORTGAGE INSURANCE.—Section 801(b) of the National Housing Act (12 U.S.C. 1748(b)) is amended by striking ''includes the original lender under a mortgage, and his successors and assigns approved by the Secretary'' and inserting ''has the meaning given such term in section 201''.

(6) GROUP PRACTICE FACILITIES MORTGAGE INSURANCE.—Section 1106(8) of the National

Housing Act (12 U.S.C. 1749aaa-5(8)) is amended by striking ''means the original lender under a mortgage, and his or its successors and assigns, and'' and inserting ''has the meaning given such term in section 201, except that such term also''.

(b) ELIGIBILITY FOR INSURANCE.—

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

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(2) SINGLE FAMILY HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(1)) is amended—

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

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

(A) by striking '' and be held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(4) HOME EQUITY CONVERSION MORTGAGE INSURANCE.—Paragraph (1) of section 255(d) of the National Housing Act (12 U.S.C. 1715z-20(d)(1)) is amended by striking ''as responsible and able to service the mortgage properly''.

(5) WAR HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 603(b) of the National Housing Act (12 U.S.C. 1738(b)(1)) is amended—

(A) by striking '', and be held by,''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

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

(A) by striking '' and be held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(7) GROUP PRACTICE FACILITY MORTGAGE INSURANCE.—Section 1101(b)(2) of the National Housing Act (12 U.S.C. 1749aaa(b)(2)) is amended—

(A) by striking '' and held by''; and

(B) by striking ''as responsible and able to service the mortgage properly''.

(8) NATIONAL DEFENSE HOUSING INSURANCE.—Paragraph (1) of section 903(b) of the National Housing Act (12 U.S.C. 1750b(b)(1)) is amended—

(A) by striking ", and be held by,"; and

(B) by striking "as responsible and able to service the mortgage properly".

SEC. 17. SENSE OF CONGRESS REGARDING TECHNOLOGY FOR FINANCIAL SYSTEMS.

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

(1) The Government Accountability Office has cited the FHA single family housing mortgage insurance program as a "high-risk" program, with a primary reason being non-integrated and out-dated financial management systems.

(2) The "Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2004 and 2003", conducted by the Inspector General of the Department of Housing and Urban Development reported as a material weakness that "HUD/FHA's automated data processing [ADP] system environment must be enhanced to more effectively support FHA's business and budget processes".

(3) Existing technology systems for the FHA program have not been updated to meet the latest standards of the Mortgage Industry Standards Maintenance Organization and have numerous deficiencies that lenders have outlined.

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

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

(B) result in efficiencies and lower costs for lenders participating in the program, allowing them to better use the FHA products in extending homeownership opportunities to higher credit risk or lower-income families, in a sound manner.

(5) The Mutual Mortgage Insurance Fund operates without cost to the taxpayers and generates revenues for the Federal Government.

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

(1) the Secretary of Housing and Urban Development should use a portion of the funds received from premiums paid for FHA single family housing

mortgage insurance that are in excess of the amounts paid out in claims to substantially increase the funding for technology used in such FHA program;

(2) the goal of this investment should be to bring the technology used in such FHA program to the level and sophistication of the technology used in the conventional mortgage lending market, or to exceed such level; and

(3) the Secretary of Housing and Urban Development should report to the Congress not later than 180 days after the date of the enactment of this Act regarding the progress the Department is making toward such goal and if progress is not sufficient, the resources needed to make greater progress.

SEC. 18. SAVINGS PROVISION.

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

SEC. 19. IMPLEMENTATION.

The Secretary of Housing and Urban Development shall by notice establish any additional requirements that

1 may be necessary to immediately carry out the provisions
2 of this title. The notice shall take effect upon issuance.

Passed the House of Representatives July 25, 2006.

Attest:

Clerk.