

111TH CONGRESS
1ST SESSION

H. R. 600

To revise the requirements for seller-financed downpayments for mortgages for single-family housing insured by the Secretary of Housing and Urban Development under title II of the National Housing Act.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 16, 2009

Mr. AL GREEN of Texas (for himself, Ms. WATERS, and Mr. GARY G. MILLER of California) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To revise the requirements for seller-financed downpayments for mortgages for single-family housing insured by the Secretary of Housing and Urban Development under title II of the National Housing Act.

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 “FHA Seller-Financed
5 Downpayment Reform Act of 2009”.

6 **SEC. 2. FHA SELLER-FINANCED DOWNPAYMENT PROGRAM.**

7 Paragraph (9) of section 203(b) of the National
8 Housing Act (12 U.S.C. 1709(b)(9)) is amended—

1 (1) in subparagraph (C), by striking “In no
2 case shall the funds required by subparagraph (A)”
3 and inserting the following: “Except in the case of
4 a mortgage described in subparagraph (D), the
5 funds required by subparagraph (A) shall not”; and

6 (2) by adding at the end the following new sub-
7 paragraphs:

8 “(D) EXCEPTIONS TO PROHIBITED
9 SOURCES.—A mortgage described in this sub-
10 paragraph is any of the following mortgages:

11 “(i) A mortgage under which the
12 mortgagor has a credit score equivalent to
13 a FICO score of 680 or greater.

14 “(ii) A mortgage under which—

15 “(I) the mortgagor has a credit
16 score equivalent to a FICO score of at
17 least 620 but less than 680; and

18 “(II) mortgage insurance pre-
19 miums charged are established—

20 “(aa) at levels necessary,
21 but no higher than needed, to
22 allow such class of loans to be in-
23 sured without resulting in a need
24 for an appropriation for a credit
25 subsidy, which may exceed the

1 maximum amount permitted
2 under section 203(c)(2)(B);

3 “(bb) in the case of the sin-
4 gle premium collected at the time
5 of insurance, in an amount not
6 exceeding 3.0 percent of the
7 amount of the original principal
8 obligation of the mortgage; and

9 “(cc) in the case of the an-
10 nual premium for a mortgage
11 under which the mortgagor has a
12 credit score equivalent to a FICO
13 score of at least 640 but less
14 than 680, in an amount not ex-
15 ceeding 1.25 percent of the re-
16 maining insured principal balance
17 (excluding the portion of the re-
18 maining balance attributable to
19 the premium collected at the time
20 of insurance and without taking
21 into account delinquent payments
22 or prepayments).

23 “(iii) For mortgages insured in fiscal
24 year 2010 or thereafter, a mortgage under
25 which the mortgagor has a credit score

1 equivalent to a FICO score of 619 or less,
2 but only if the Secretary certifies that such
3 loans can be insured without resulting in a
4 need for an appropriation for a credit sub-
5 sidiy. For such mortgages, the Secretary
6 may charge premiums at levels authorized
7 under items (bb) and (cc) of clause (ii)(II)
8 and may establish a credit or FICO score
9 limitation or impose such other require-
10 ments as are necessary to meet the condi-
11 tions for certification under this clause.

12 “(E) REQUIREMENTS FOR DOWNPAYMENT
13 ASSISTANCE ENTITIES.—Any entity partici-
14 pating in a program that provides downpay-
15 ment assistance for a mortgage described in
16 subparagraph (D) pursuant to the exception
17 under subparagraph (C), which programs shall
18 include programs of governmental agencies and
19 private nonprofit organizations, shall, before the
20 closing for the loan involved in the mortgage in
21 connection with which such assistance is pro-
22 vided—

23 “(i) offer to make available, to the
24 mortgagor, counseling regarding the re-

1 sponsibilities and financial management in-
2 volved in homeownership;

3 “(ii) if such offer is accepted by the
4 mortgagor, make such counseling available
5 for the mortgagor; and

6 “(iii) in the case of any such entity
7 that is a private nonprofit organization,
8 implement a conflict of interest policy that
9 prohibits directors, officers, employees, and
10 immediate family members from receiving
11 financial benefits from any entity that is
12 providing the program with goods or serv-
13 ices other than the homeownership assist-
14 ance program entity itself or its wholly
15 owned affiliate.

16 “(F) CIVIL MONEY PENALTIES FOR IM-
17 PROPERLY INFLUENCING APPRAISALS.—The
18 Secretary may impose a civil money penalty, in
19 the same manner and to the same extent as for
20 a violation under section 536, for compensating,
21 instructing, inducing, coercing, or intimidating
22 any person who conducts an appraisal of the
23 property to be subject to a mortgage described
24 in subparagraph (D) and under which any part
25 of the funds required by subparagraph (A) are

1 provided to a party described in subparagraph
2 (C), or attempting to compensate, instruct, in-
3 duce, coerce, or intimidate such a person, for
4 the purpose of causing the appraised value as-
5 signed to the property under the appraisal to be
6 based on any other factor other than the inde-
7 pendent judgment of such person exercised in
8 accordance with applicable professional stand-
9 ards.”.

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