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(Original Signature of Member)

111TH CONGRESS
1ST SESSION

H. R. _____

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

Mr. AL GREEN of Texas introduced the following bill; which was referred to the Committee on _____

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”.

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

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

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

9 (2) by adding at the end the following new sub-
10 paragraphs:

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

14 “(i) A mortgage under which the
15 mortgagor has a credit score equivalent to
16 a FICO score of 680 or greater.

17 “(ii) A mortgage under which—

18 “(I) the mortgagor has a credit
19 score equivalent to a FICO score of at
20 least 620 but less than 680; and

21 “(II) mortgage insurance pre-
22 miums charged are established—

23 “(aa) at levels necessary,
24 but no higher than needed, to
25 allow such class of loans to be in-
26 sured without resulting in a need

1 for an appropriation for a credit
2 subsidy, which may exceed the
3 maximum amount permitted
4 under section 203(c)(2)(B);

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

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

1 “(iii) For mortgages insured in fiscal
2 year 2010 or thereafter, a mortgage under
3 which the mortgagor has a credit score
4 equivalent to a FICO score of 619 or less,
5 but only if the Secretary certifies that such
6 loans can be insured without resulting in a
7 need for an appropriation for a credit sub-
8 sidy. For such mortgages, the Secretary
9 may charge premiums at levels authorized
10 under items (bb) and (cc) of clause (ii)(II)
11 and may establish a credit or FICO score
12 limitation or impose such other require-
13 ments as are necessary to meet the condi-
14 tions for certification under this clause.

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

1 “(i) offer to make available, to the
2 mortgagor, counseling regarding the re-
3 sponsibilities and financial management in-
4 volved in homeownership;

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

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

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

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