

AMENDMENT TO H.R. 1106
OFFERED BY MR. SESTAK OF PENNSYLVANIA

At the end of title II, add the following new section:

1 **SEC. 205. HOMEOWNERSHIP VESTING PLAN.**

2 Title II of the National Housing Act (12 U.S.C. 1707
3 et seq.) is amended—

4 (1) by redesignating section 257, as added by
5 section 2124(a) of the Housing and Economic Relief
6 Act of 2008 (12 U.S.C. 1715z-24), as section 258;
7 and

8 (2) by adding after section 258, as so redesign-
9 nated, the following new section:

10 **“SEC. 259. HOMEOWNERSHIP VESTING PLAN.**

11 “(a) **AUTHORITY.**—The Secretary shall, subject only
12 to the absence of requests for insurance under this section
13 and the availability of amounts pursuant to subsection
14 (i)—

15 “(1) make commitments to insure and insure
16 any mortgage covering a 1- to 4-family residence
17 that is made for the purpose of paying or prepaying
18 outstanding obligations under an existing mortgage
19 or mortgages on the residence if the mortgage being

1 insured under this section meets the requirements of
2 this section; and

3 “(2) in connection with the insurance of such
4 mortgages—

5 “(A) make payments under subsection (c)
6 to servicers of eligible mortgages refinanced by
7 such insured mortgages;

8 “(B) make payments under (b)(4) for the
9 extinguishment of subordinate liens on the
10 properties subject to eligible mortgages refi-
11 nance by such insured mortgages; and

12 “(C) make loans under subsection (d) to
13 mortgagors under such insured mortgages.

14 “(b) ELIGIBLE MORTGAGES.—To be eligible for in-
15 surance under this section, a mortgage shall comply with
16 all of the following requirements:

17 “(1) OWNER-OCCUPIED SOLE RESIDENCE.—The
18 residence securing the mortgage insured under this
19 section shall be occupied by the mortgagor as the
20 principal residence of the mortgagor and the mort-
21 gagor shall provide a certification to the originator
22 of the insured mortgage that such residence securing
23 the mortgage is the only residence in which the
24 mortgagor has any present ownership interest.

1 “(2) PRINCIPAL OBLIGATION AMOUNT.—The
2 principal obligation amount of the mortgage to be
3 insured under this section shall be equal to 97.5 per-
4 cent of the current appraised value of the residence
5 securing the mortgage.

6 “(3) REQUIRED WAIVER OF PREPAYMENT PEN-
7 ALTIES AND FEES.—All penalties for prepayment or
8 refinancing of the existing senior mortgage, and all
9 fees and penalties related to default or delinquency
10 on the existing senior mortgage, shall be waived or
11 forgiven.

12 “(4) EXTINGUISHMENT OF SUBORDINATE
13 LIENS.—

14 “(A) REQUIRED AGREEMENT.—All holders
15 of existing mortgages on the property to which
16 the eligible mortgage relates shall agree to ac-
17 cept the proceeds of the insured loan, and any
18 payment pursuant to subparagraph (B), as pay-
19 ment in full of all indebtedness under the exist-
20 ing mortgage, and all encumbrances related to
21 such existing mortgage shall be removed. The
22 Secretary may take such actions, in accordance
23 with the standards established pursuant to sub-
24 paragraph (B), as may be necessary and appro-
25 priate to facilitate coordination and agreement

1 between the holders of the existing senior mort-
2 gage and any existing subordinate mortgages,
3 taking into consideration the subordinate lien
4 status of such subordinate mortgages.

5 “(B) PAYMENT.—The Secretary shall pro-
6 vide for the payment to the holder of any exist-
7 ing subordinate mortgage of an amount equal
8 to 5 cents for each dollar of the outstanding
9 principal balance of, and accrued interest on,
10 the outstanding mortgage.

11 “(5) INTEREST RATE AND TERM OF MORT-
12 GAGE.—The mortgage to be insured under this sec-
13 tion shall—

14 “(A) bear interest at a single rate that is
15 fixed for the entire term of the mortgage; and

16 “(B) have a maturity of 30 years from the
17 date of the beginning of amortization of such
18 mortgage.

19 “(6) UNDERWRITING STANDARDS.—The mort-
20 gage insured under this section shall comply with
21 the underwriting standards applicable under the
22 FHA Secure Program (established by mortgagee let-
23 ter 2007–11, issued September 5, 2007), as such
24 Program is in effect as of February 1, 2009.

1 “(7) PRIORITY OF LIEN FOR NON-VESTED LOAN
2 PRINCIPAL.—The mortgage to be insured under this
3 section shall provide that the Secretary’s lien pursu-
4 ant to subsection (d)(4) on the residence that is sub-
5 ject to the mortgage shall have superior priority to
6 the lien under the insured mortgage.

7 “(8) REQUIREMENTS FOR EXISTING SENIOR
8 MORTGAGE BEING REFINANCED.—

9 “(A) ORIGINATION DATE.—The existing
10 senior mortgage shall have been originated dur-
11 ing the period beginning on January 1, 2003,
12 and ending upon December 31, 2007.

13 “(B) PRINCIPAL OBLIGATION.—The exist-
14 ing senior mortgage shall have had a original
15 principal obligation in an amount that did not
16 exceed the maximum dollar amount limitation
17 in effect on February 1, 2009, under section
18 203(b)(2) of the National Housing Act (12
19 U.S.C. 1709(b)(2)) for a residence of the appli-
20 cable size for the area in which the residence is
21 located.

22 “(C) DEBT-TO-INCOME RATIO UPON ORIGI-
23 NATION.—As of the time of the origination of
24 the existing senior mortgage, the mortgagor
25 shall have had a ratio of mortgage debt to in-

1 come, taking into consideration all existing
2 mortgages of that mortgagor at such time, ex-
3 ceeding 30 percent.

4 “(D) LOAN-TO-VALUE RATIO.—The exist-
5 ing senior mortgage shall, upon origination,
6 have involved a principal obligation (including
7 such initial service charges, appraisal, inspec-
8 tion, and other fees as the Secretary shall ap-
9 prove) in an amount not exceeding 90 percent
10 of the appraised value of the property at such
11 time.

12 “(c) PAYMENT TO SERVICER OF EXISTING MORT-
13 GAGE.—For each mortgage insured under this section, the
14 Secretary shall make a payment in the amount of \$1,000
15 to the servicer of the existing senior mortgage refinanced
16 by such insured mortgage.

17 “(d) NONAMORTIZING NO-INTEREST LOAN.—

18 “(1) IN GENERAL.—In connection with each
19 mortgage insured under this section, the Secretary
20 shall make a loan to the mortgagor in an amount
21 equal to the difference between—

22 “(A) the amount of the outstanding prin-
23 cipal obligation under the existing senior mort-
24 gage refinanced by such insured mortgage as of

1 the time of the origination of such insured
2 mortgage; and

3 “(B) the amount of the original principal
4 obligation of the insured mortgage.

5 “(2) TERMS.—A loan under this section—

6 “(A) shall not bear interest; and

7 “(B) shall not require the borrower to
8 make payments of principal, except as provided
9 in paragraph (3).

10 “(3) REPAYMENT.—A loan under this section
11 shall require repayment of principal only if the bor-
12 rower defaults with respect to the borrower’s obliga-
13 tions under the insured mortgage in connection with
14 which such loan is made during the 5-year period
15 that begins on the date that such mortgage is in-
16 sured, as follows:

17 “(A) YEAR 1.—If any such default occurs
18 during the period that begins on the date that
19 such mortgage is insured and ends 1 year after
20 such date of insurance, the Secretary shall be
21 entitled to repayment of 100 percent of the
22 principal amount of the loan.

23 “(B) YEAR 2.—If any such default occurs
24 during the period that begins 1 year after such
25 date of insurance and ends 2 years after such

1 date of insurance, the Secretary shall be enti-
2 tled to 80 percent of such principal amount.

3 “(C) YEAR 3.—If any such default occurs
4 during the period that begins 2 years after such
5 date of insurance and ends 3 years after such
6 date of insurance, the Secretary shall be enti-
7 tled to 60 percent of such principal amount.

8 “(D) YEAR 4.—If any such default occurs
9 during the period that begins 3 years after such
10 date of insurance and ends 4 years after such
11 date of insurance, the Secretary shall be enti-
12 tled to 40 percent of such principal amount.

13 “(E) YEAR 5.—If any such default occurs
14 during the period that begins 4 years after such
15 date of insurance and ends 5 years after such
16 date of insurance, the Secretary shall be enti-
17 tled to 20 percent of such principal amount.

18 “(F) AFTER YEAR 5.—If any such default
19 occurs after the expiration of the 5-year period
20 that begins on such date of insurance, the Sec-
21 retary shall not be entitle to repayment of any
22 portion of such principal amount.

23 “(4) LIEN.—Repayment of the portion of the
24 principal amount of a loan made under this sub-
25 section that is required under paragraph (3) shall be

1 secured by a lien on the residence that is subject to
2 the mortgage insured under this section in connec-
3 tion with which such loan was made, that is held by
4 the Secretary, and which shall have priority over all
5 other liens on such residence.

6 “(e) PREMIUMS.—Notwithstanding any other provi-
7 sion of this Act:

8 “(1) IN GENERAL.—For each eligible mortgage
9 insured under this section, the Secretary shall estab-
10 lish and collect an annual premium in an amount
11 equal to not less than 0.55 percent of the amount
12 of the remaining insured principal balance of the
13 mortgage and not more than 0.75 percent of such
14 remaining insured principal balance, as determined
15 according to a schedule established by the Secretary
16 that assigns such annual premiums based upon the
17 credit risk of the mortgage.

18 “(2) REDUCTION OR TERMINATION DURING
19 MORTGAGE TERM.—Notwithstanding paragraph (1),
20 the Secretary may provide that the annual premiums
21 charged for eligible mortgages insured under this
22 section are reduced over the term of the mortgage
23 or that the collection of such premiums is discon-
24 tinued at some time during the term of the mort-
25 gage, in a manner that is consistent with policies for

1 such reduction or discontinuation of annual pre-
2 miums charged for mortgages in accordance with
3 section 203(c).

4 “(f) SUNSET.—The Secretary may not enter into any
5 new commitment to insure any refinanced eligible mort-
6 gage, or newly insure any refinanced eligible mortgage,
7 pursuant to this section after the expiration of the 3-year
8 period beginning upon the date of the enactment of this
9 Act.

10 “(g) DEFINITIONS.—For purposes of this section, the
11 following definitions shall apply:

12 “(1) ELIGIBLE MORTGAGE.—The term ‘eligible
13 mortgage’ means a mortgage that meets the require-
14 ment under subsection (b) for insurance under this
15 section.

16 “(2) EXISTING MORTGAGE.—The term ‘existing
17 mortgage’ means, with respect to a mortgage in-
18 sured or to be insured under this section, a mort-
19 gage on the same residence that is to be subject to
20 such mortgage insured under this section that is to
21 be extinguished pursuant to such insured mortgage.

22 “(3) EXISTING SENIOR MORTGAGE.—The term
23 ‘existing senior mortgage’ means, with respect to a
24 mortgage insured or to be insured under this sec-

1 tion, the existing mortgage that has superior pri-
2 ority.

3 “(4) EXISTING SUBORDINATE MORTGAGE.—The
4 term ‘existing subordinate mortgage’ means, with re-
5 spect to a mortgage insured or to be insured under
6 this section, an existing mortgage that has subordi-
7 nate priority to the existing senior mortgage.

8 “(h) AUTHORIZATION OF APPROPRIATIONS.—There
9 is authorized to be appropriated for fiscal years 2009
10 through 2012—

11 “(1) \$2,000,000,000 for payments under sub-
12 section (c) to servicers of eligible mortgages refi-
13 nanced by such insured mortgages;

14 “(2) \$1,500,000,000 for payments under (b)(4)
15 for the extinguishment of subordinate liens on the
16 properties subject to eligible mortgages refinance by
17 such insured mortgages; and

18 “(3) \$90,000,000,000 for the costs (as such
19 term is defined in section 502 of the Federal Credit
20 Reform Act of 1974 (2 U.S.C. 661a) of loans under
21 subsection (d) to mortgagors under such insured
22 mortgages.”.

