

114TH CONGRESS  
1ST SESSION

# H. R. 1878

To require servicers to establish a deed-for-lease program under which eligible mortgagors may remain in their homes as renters.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2015

Ms. MICHELLE LUJAN GRISHAM of New Mexico introduced the following bill;  
which was referred to the Committee on Financial Services

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## A BILL

To require servicers to establish a deed-for-lease program under which eligible mortgagors may remain in their homes as renters.

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 “Keeping Families  
5        Home Act of 2015”.

6        **SEC. 2. DEED-FOR-LEASE PROGRAM.**

7        (a) ESTABLISHMENT.—

8                (1) IN GENERAL.—Each servicer shall establish  
9        a deed-for-lease program (hereinafter referred to as

1 the “Program”), which shall permit an eligible mort-  
2 gator to—

3 (A) enter into a deed in lieu of foreclosure  
4 agreement;

5 (B) continue to occupy and lease the prop-  
6 erty that is the subject of such agreement for  
7 a 1-year period that begins on the date of such  
8 agreement; and

9 (C) have a right of first refusal to pur-  
10 chase such property after the end of the 1-year  
11 lease period, if the owner of the property in-  
12 tends to sell the property at that time.

13 (2) EXCEPTION FOR SMALL SERVICERS.—The  
14 Program requirement under paragraph (1) shall not  
15 apply to a small servicer, as such term is defined by  
16 the Secretary of Housing and Urban Development.

17 (b) NOTICE REQUIREMENT.—Servicers shall provide  
18 each eligible mortgagor with information about the Pro-  
19 gram and how to apply to participate in the Program.

20 (c) LEASE TERMS.—A lease entered into by an eligi-  
21 ble mortgagor under the Program shall—

22 (1) carry a monthly rent amount equal to the  
23 fair market rent for such property, as determined by  
24 an independent private appraiser hired by and paid  
25 by the servicer; and

1           (2) contain all typical lease provisions for simi-  
2           lar rental property.

3           (d) APPLICATION PROCESS.—

4           (1) IN GENERAL.—An eligible mortgagor may  
5           apply for the Program at any time.

6           (2) EFFECT OF FORECLOSURE SALE.—If there  
7           is a foreclosure sale pending with respect to the  
8           property—

9                   (A) the eligible mortgagor may only apply  
10                  for the Program before the date that is 7 days  
11                  before the date of such foreclosure sale; and

12                   (B) once the eligible mortgagor applies for  
13                  the Program, the foreclosure sale shall be halt-  
14                  ed until after the eligible mortgagor's Program  
15                  application has been evaluated.

16           (3) CONTENTS OF APPLICATION.—

17           (A) IN GENERAL.—In applying for the  
18           Program, an eligible mortgagor shall provide  
19           the servicer with proof of the following informa-  
20           tion:

21                   (i) The eligible mortgagor is subject  
22                  to a financial hardship that makes the eli-  
23                  gible mortgagor unable to continue making  
24                  timely payments on the eligible mortgage  
25                  loan.

1           (ii) The eligible mortgagor is eligible  
2           to pay the monthly rent amount described  
3           under subsection (c)(1) and such amount  
4           is no more than 31 percent of the eligible  
5           mortgagor's monthly income.

6           (iii) The eligible mortgagor currently  
7           lives in the property and intends to con-  
8           tinue doing so during the 1-year lease  
9           term.

10           (B) ABILITY TO PAY HIGHER PERCENTAGE  
11           OF INCOME IN RENT.—Notwithstanding sub-  
12           paragraph (A)(ii), if an eligible mortgagor be-  
13           lieves they are able pay the monthly rent  
14           amount despite such amount exceeding 31 per-  
15           cent of the eligible mortgagor's monthly income,  
16           the eligible mortgagor may request that the De-  
17           partment of Housing and Urban Development  
18           review their information, along with any con-  
19           tributing factors the eligible mortgagor may  
20           have (such as a low debt burden) and, if the  
21           Department notifies the eligible mortgagor that  
22           the Department agrees that the eligible mort-  
23           gagor is able to pay a monthly rent amount  
24           that is equal to a percentage of their monthly  
25           income that is higher than 31 percent, such

1 higher percentage shall be used for purposes of  
2 subparagraph (A)(ii).

3 (4) EFFECT OF JUNIOR LIENS.—If an eligible  
4 mortgagor applies for a Program with respect to a  
5 single family property subject to a junior lien—

6 (A) if the servicer of the Program is also  
7 the holder of the junior lien, the servicer shall  
8 release the junior lien and, subject to the other  
9 requirements of this section, the eligible mort-  
10 gagor shall be eligible to participate in the Pro-  
11 gram; and

12 (B) if the servicer of the Program is not  
13 the holder of the junior lien, the servicer shall  
14 contact such junior lien holder and request that  
15 the holder release the lien, and—

16 (i) if the holder releases the lien, then,  
17 subject to the other requirements of this  
18 section, the eligible mortgagor shall be eli-  
19 gible to participate in the Program; and

20 (ii) if the holder does not release the  
21 lien, then the eligible mortgagor shall not  
22 be eligible to participate in the Program.

23 (e) EVALUATION AND NOTIFICATION.—

24 (1) DEADLINE FOR EVALUATION.—The servicer  
25 shall evaluate the eligible mortgagor's application

1 within 30 days of receiving such application and  
2 shall accept an eligible mortgagor into the Program  
3 if the eligible mortgagor has provided the proof de-  
4 scribed under subsection (d)(3)(A).

5 (2) NOTIFICATION.—Promptly after making a  
6 determination under paragraph (1), the servicer  
7 shall notify the eligible mortgagor of such deter-  
8 mination in writing and, if the servicer determines  
9 that the eligible mortgagor may not be accepted into  
10 the Program, the servicer shall specifically explain in  
11 writing why the eligible mortgage was not accepted.

12 (f) SUBSEQUENT OWNERS FOLLOW PROGRAM RE-  
13 QUIREMENTS.—Any subsequent owner of the property  
14 being leased pursuant to the Program shall—

15 (1) maintain the Program and abide by the  
16 terms of the Program to the same extent as the  
17 servicer of the eligible mortgage; and

18 (2) certify to the Department of Housing and  
19 Urban Development, before finalizing any purchase  
20 of the property, that they will abide by the terms of  
21 the Program.

22 (g) RULEMAKING; COMPLIANCE EVALUATION.—The  
23 Department of Housing and Urban Development shall—

24 (1) issue such regulations as may be necessary  
25 to carry out this section;

1           (2) evaluate the compliance by servicers and  
2 owners with the requirements of this section; and

3           (3) enforce the requirements of this section.

4 (h) DEFINITIONS.—For purposes of this section:

5           (1) ELIGIBLE MORTGAGOR.—The term “eligible  
6 mortgagor” means a mortgagor under an eligible  
7 mortgage.

8           (2) ELIGIBLE MORTGAGE.—The term “eligible  
9 mortgage” means a first or subordinate mortgage on  
10 a property that—

11                   (A) is a single family property; and

12                   (B) is currently being used as the principal  
13 residence of the eligible mortgagor.

14           (3) SINGLE FAMILY PROPERTY.—The term  
15 “single family property” means—

16                   (A) a structure consisting of 1 to 4 dwell-  
17 ing units;

18                   (B) a dwelling unit in a multi-unit condo-  
19 minium property together with an undivided in-  
20 terest in the common areas and facilities serv-  
21 ing the property;

22                   (C) a dwelling unit in a multi-unit project  
23 for which purchase of stock or a membership  
24 interest entitles the purchaser to permanent oc-  
25 cupancy of that unit; or

1 (D) a manufactured housing unit.

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