

112TH CONGRESS
1ST SESSION

H. R. 834

To amend the Internal Revenue Code of 1986 to allow eligible veterans to use qualified veterans mortgage bonds to refinance home loans, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 2011

Mrs. DAVIS of California (for herself, Mr. WU, Mr. KIND, Mr. DEFazio, Mr. BLUMENAUER, Mr. SCHRADER, Mr. FILNER, Mr. CALVERT, and Ms. BALDWIN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow eligible veterans to use qualified veterans mortgage bonds to refinance home loans, and for other purposes.

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 “Veterans Home Loan
5 Refinance Opportunity Act of 2011”.

1 **SEC. 2. MODIFICATION OF QUALIFIED VETERANS' MORT-**
2 **GAGE BONDS PROGRAM TO ALLOW ELIGIBLE**
3 **VETERANS TO REFINANCE CURRENT HOME**
4 **LOANS.**

5 (a) **ELIMINATION OF REFINANCE PROHIBITION FOR**
6 **VETERANS' BONDS.**—Section 143(b) of the Internal Rev-
7 enue Code of 1986 (relating to qualified veterans' mort-
8 gage bond defined) is amended—

9 (1) in paragraph (1) by striking “residences”
10 and inserting “residences or qualified refinancing
11 loans”, and

12 (2) in paragraph (3) by striking “(i)(1),”.

13 (b) **DEFINITION.**—Section 143(l) of the Internal Rev-
14 enue Code of 1986 (relating to additional requirements for
15 qualified veterans' mortgage bonds) is amended by adding
16 at the end the following:

17 “(6) **QUALIFIED REFINANCING LOAN.**—For
18 purposes of this subsection, the term ‘qualified refi-
19 nancing loan’ means a loan that is used to refinance
20 acquisition indebtedness (as defined in subclauses (I)
21 and (II) of section 163(h)(3)(B)(i)) for a principal
22 residence (within the meaning of section 121).”.

23 (c) **EFFECTIVE DATE.**—The amendments made by
24 this section shall apply to bonds issued after the date of
25 enactment of this Act.

1 **SEC. 3. INFLATION ADJUSTMENT OF STATE VETERANS**

2 **LIMIT.**

3 (a) IN GENERAL.—Paragraph (3) of section 143(l)
4 of the Internal Revenue Code of 1986 (relating to volume
5 limitation) is amended by adding at the end the following
6 new subparagraph:

7 “(D) LIMITATION ADJUSTMENT BASED ON
8 INFLATION.—

9 “(i) IN GENERAL.—In the case of any
10 calendar year after 2011, the limit deter-
11 mined under subparagraph (B) for a State
12 shall be adjusted for such calendar year by
13 multiplying such limit by the inflation ad-
14 justment factor for the calendar year.

15 “(ii) COMPUTATION OF INFLATION
16 ADJUSTMENT FACTOR.—For purposes of
17 clause (i)—

18 “(I) IN GENERAL.—The Sec-
19 retary shall, not later than each Octo-
20 ber 1, determine and publish in the
21 Federal Register the inflation adjust-
22 ment factor for the succeeding cal-
23 endar year in accordance with this
24 clause.

25 “(II) INFLATION ADJUSTMENT
26 FACTOR.—The term ‘inflation adjust-

1 ment factor’ means, with respect to a
2 calendar year, a fraction the numer-
3 ator of which is the CMHPI for the
4 second quarter of the calendar year
5 preceding the calendar year for which
6 the adjustment is being made, and the
7 denominator of which is the CMHPI
8 for the second quarter of calendar
9 year 2011.

10 “(III) CMHPI.—The term
11 ‘CMHPI’ means the Conventional
12 Mortgage Home Price Index compiled
13 by Federal Home Loan Mortgage Cor-
14 poration. The CMHPI for any quarter
15 shall be the CMHPI first published
16 for such quarter.

17 “(IV) LIMITATION.—No adjust-
18 ment shall be made under clause (i)
19 for any year in which the fraction in
20 subclause (II) is less than 1.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to bonds issued after the date of
23 the enactment of this Act.

1 **SEC. 4. MODIFICATION OF MATERIALLY HIGHER YIELD**
2 **FOR MORTGAGES MADE FROM QUALIFIED**
3 **VETERANS' MORTGAGE BONDS.**

4 (a) MORTGAGE YIELD LIMITATION MEASURED
5 UNDER GENERAL PROGRAM OBLIGATION PROVISIONS.—

6 (1) EFFECTIVE MORTGAGE INTEREST LIMITA-
7 TION EXCEPTED.—Paragraph (3) of section 143(b)
8 of the Internal Revenue Code of 1986 (relating to
9 qualified veterans' mortgage bond defined) is amend-
10 ed by inserting “(other than paragraph (2) thereof)”
11 after “(g)”.

12 (2) INCREASE IN YIELD LIMIT.—Subparagraph
13 (C) of section 143(g)(3) of the Internal Revenue
14 Code of 1986 (relating to requirements related to ar-
15 bitrage) is amended by striking “1.125 percentage
16 points” and inserting “1.50 percentage points”.

17 (3) CLERICAL AMENDMENT.—Section 143(g)(3)
18 of such Code (relating to requirements related to ar-
19 bitrage) is amended in the heading for subparagraph
20 (C) by striking “WHERE ISSUER DOES NOT USE
21 FULL 1.125 PERCENTAGE POINTS UNDER PARAGRAPH
22 (2)” and inserting “FOR CERTAIN UNUSED
23 AMOUNTS”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to obligations issued after the date
3 of the enactment of this Act.

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