

113TH CONGRESS
1ST SESSION

S. 1376

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 25, 2013

Mr. JOHNSON of South Dakota (for himself and Mr. CRAPO) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “FHA Solvency Act of 2013”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Mortgage insurance premiums.
- Sec. 3. Indemnification by FHA mortgagees.
- Sec. 4. Review of mortgagee performance.

- Sec. 5. Easing regulatory burdens; resource guide.
 Sec. 6. Improving underwriting standards.
 Sec. 7. Ensuring adequate capital levels in the Mutual Mortgage Insurance Fund.
 Sec. 8. Establishment of Deputy Assistant Secretary and Chief Risk Officer of FHA.
 Sec. 9. Disclosure of events.
 Sec. 10. GAO study on disclosures.
 Sec. 11. Stabilizing the HECM program.
 Sec. 12. Publication of final rules relating to limiting seller contributions towards purchase related expenses.

1 **SEC. 2. MORTGAGE INSURANCE PREMIUMS.**

2 (a) IN GENERAL.—Section 203(c) of the National
 3 Housing Act (12 U.S.C. 1709(c)) is amended—

4 (1) in paragraph (2)(B)—

5 (A) in the matter preceding clause (i)—

6 (i) by striking “may” and inserting
 7 “shall”;

8 (ii) by striking “not exceeding 1.5
 9 percent” and inserting “not less than 0.55
 10 percent”; and

11 (iii) by inserting “and not exceeding
 12 2.0 percent of such remaining insured
 13 principal balance” before “for the following
 14 periods.”; and

15 (B) in clause (ii), by striking “1.55 per-
 16 cent” and inserting “2.05 percent”; and

17 (2) by adding at the end the following:

18 “(3) EVALUATION OF UP-FRONT AND ANNUAL
 19 PREMIUMS.—

1 “(A) ANNUAL REVIEW.—The Secretary
2 shall, at least annually, review—

3 “(i) the amount of the annual and up-
4 front premiums collected under this sub-
5 section; and

6 “(ii) the expected losses to the Mutual
7 Mortgage Insurance Fund, as such losses
8 are calculated in the annual independent
9 actuarial study required under section
10 202(a)(4).

11 “(B) REQUIRED ADJUSTMENTS.—Upon
12 completion of the review required under sub-
13 paragraph (A), the Secretary shall, for all mort-
14 gages that are to become an obligation of the
15 Mutual Mortgage Insurance Fund after the
16 date that such review is complete, adjust the
17 annual and up-front premiums applied to such
18 mortgages so that the premiums collected over
19 the life of such mortgages will exceed the ex-
20 pected losses of such mortgages to the Fund
21 plus amounts sufficient to ensure the capital re-
22 serve ratio remains at the level required under
23 section 205(f).

24 “(C) RULE OF CONSTRUCTION.—Nothing
25 in this paragraph shall permit or be construed

1 to permit the Secretary to apply different pre-
2 mium rates to the same mortgage product dur-
3 ing the same time period based solely on the
4 characteristics of the mortgagor.”.

5 (b) EFFECTIVE DATE.—The amendments made by
6 subsection (a) take effect upon the expiration of the 6-
7 month period beginning on the date of enactment of this
8 Act.

9 **SEC. 3. INDEMNIFICATION BY FHA MORTGAGEES.**

10 (a) IN GENERAL.—Section 202 of the National
11 Housing Act (12 U.S.C. 1708) is amended by adding at
12 the end the following new subsection:

13 “(i) INDEMNIFICATION BY MORTGAGEES.—

14 “(1) IN GENERAL.—If the Secretary determines
15 that a mortgage executed by a mortgagee approved
16 by the Secretary under the direct endorsement pro-
17 gram or insured by a mortgagee pursuant to the del-
18 egation of authority under section 256 contains a
19 material defect such that the mortgage should not
20 have been approved or endorsed for insurance, and
21 a loan becomes delinquent within 36 months of such
22 approval or endorsement leading to a default or the
23 Secretary pays a claim within 36 months after such
24 approval or endorsement, the Secretary may require
25 the mortgagee approved by the Secretary under the

1 direct endorsement program or the mortgagee dele-
2 gated authority under section 256 to indemnify the
3 Secretary for the loss, irrespective of whether the
4 violation caused the mortgage default.

5 “(2) FRAUD OR MISREPRESENTATION.—If
6 fraud or misrepresentation was involved in connec-
7 tion with the origination, the Secretary shall require
8 the mortgagee approved by the Secretary under the
9 direct endorsement program or the mortgagee dele-
10 gated authority under section 256 to indemnify the
11 Secretary for the loss regardless of when an insur-
12 ance claim is paid.

13 “(3) REQUIREMENTS AND PROCEDURES.—The
14 Secretary shall issue regulations establishing—

15 “(A) appropriate requirements and proce-
16 dures governing the indemnification of the Sec-
17 retary by the mortgagee, including public re-
18 porting on—

19 “(i) the number of loans that—

20 “(I) were not originated in ac-
21 cordance with the requirements estab-
22 lished by the Secretary; and

23 “(II) involved fraud or misrepre-
24 sentation in connection with the origi-
25 nation; and

1 “(ii) the financial impact on the Mu-
2 tual Mortgage Insurance Fund when in-
3 demnification is required; and

4 “(B) an appeals process, or making any
5 necessary modifications or revisions to an exist-
6 ing appeals process of the Secretary, to appeal
7 any determination of indemnification made by
8 the Secretary pursuant to paragraph (1) or (2).

9 “(4) APPLICABILITY.—This subsection shall
10 only apply to mortgages insured under this title that
11 were originated on or after the date of enactment of
12 the FHA Solvency Act of 2013.

13 “(5) DEPOSIT IN THE MUTUAL MORTGAGE IN-
14 SURANCE FUND.—The Secretary shall deposit any
15 amounts collected pursuant to this subsection in,
16 and for the use of, the Mutual Mortgage Insurance
17 Fund.”.

18 (b) RULE OF CONSTRUCTION.—Nothing in sub-
19 section (a), or the amendment made by subsection (a),
20 shall be construed to supersede, alter, or in any way affect
21 the authorities granted to the Secretary of Housing and
22 Urban Development under section 256 of the National
23 Housing Act.

1 **SEC. 4. REVIEW OF MORTGAGEE PERFORMANCE.**

2 Section 533 of the National Housing Act (12 U.S.C.
3 1735f-11) is amended—

4 (1) by amending subsection (a) to read as fol-
5 lows:

6 “(a) PERIODIC REVIEW OF MORTGAGEE PERFORM-
7 ANCE.—To reduce losses in connection with single family
8 mortgage insurance programs under this Act, at least once
9 a year the Secretary shall review the mortgagees origi-
10 nating or underwriting insured single family mortgages.”;

11 (2) by amending subsection (b) to read as fol-
12 lows:

13 “(b) COMPARISON WITH OTHER MORTGAGEES.—

14 “(1) IN GENERAL.—In conducting the review
15 required under subsection (a), for each mortgagee
16 the Secretary shall compare that mortgagee with
17 other mortgagees originating or underwriting in-
18 sured single family mortgages based on the rates of
19 defaults and claims for insured single family mort-
20 gage loans originated or underwritten by that mort-
21 gagee. The Secretary may also compare that mort-
22 gagee with such other mortgagees based on—

23 “(A) underwriting quality;

24 “(B) geographic area served; or

25 “(C) any commonly used factors the Sec-
26 retary deems necessary for comparing mortgage

1 default risk, provided that such comparison is
2 of factors that the Secretary would expect to re-
3 duce the default risk of mortgages insured by
4 the Secretary.

5 “(2) IMPLEMENTATION.—In carrying out the
6 comparisons required under paragraph (1), the Sec-
7 retary shall implement such comparisons by regula-
8 tion, notice, or mortgagee letter.”; and

9 (3) in subsection (c)—

10 (A) by striking paragraph (1) and insert-
11 ing the following:

12 “(1) TERMINATION AUTHORITY.—

13 “(A) IN GENERAL.—Notwithstanding sec-
14 tion 202(c), the Secretary may terminate the
15 approval of a mortgagee to originate or under-
16 write single family mortgages if the Secretary
17 determines that the mortgage loans originated
18 or underwritten by the mortgagee present an
19 unacceptable risk to the insurance funds.

20 “(B) BASIS FOR DETERMINING UNACCEPT-
21 ABLE RISK.—For purposes of subparagraph
22 (A), a mortgagee may present an unacceptable
23 risk to the insurance funds based on—

24 “(i) a comparison of any of the fac-
25 tors set forth in subsection (b); or

1 “(ii) a determination that the mort-
2 gagee engaged in fraud or misrepresenta-
3 tion.”;

4 (B) by redesignating paragraph (2) as
5 paragraph (3);

6 (C) by inserting after paragraph (1) the
7 following:

8 “(2) APPLICABILITY AND ENFORCEMENT.—The
9 authority granted to the Secretary under paragraph
10 (1) shall—

11 “(A) apply for any specified area or areas,
12 or on a nationwide basis; and

13 “(B) be made in accordance with any regu-
14 lation, notice, or mortgagee letter issued by the
15 Secretary.”; and

16 (D) in paragraph (3) (as so redesis-
17 gnated)—

18 (i) by striking “The Secretary shall
19 give” and inserting “(3) NOTICE AND
20 RIGHT TO INFORMAL CONFERENCE.—The
21 Secretary shall give”; and

22 (ii) in the fourth sentence, by striking
23 “excessive default and claim rate” and in-
24 serting “finding of an unacceptable risk to
25 the insurance funds”.

1 **SEC. 5. EASING REGULATORY BURDENS; RESOURCE GUIDE.**

2 (a) IN GENERAL.—Not later than 360 days after the
3 date of enactment of this Act, the Secretary of Housing
4 and Urban Development (in this section referred to as the
5 “Secretary”) shall issue a single, uniform resource guide
6 to inform lenders and servicers of the policies, processes,
7 and procedures applicable to mortgages insured under title
8 II of the National Housing Act (12 U.S.C. 1707 et seq.),
9 including, but not limited to, the policies, processes, and
10 procedures of the Secretary relating to any indemnifica-
11 tion authority of the Secretary, including any criteria the
12 Secretary considers to be a material defect for purposes
13 of executing such authority.

14 (b) CONTENT.—The resource guide required under
15 subsection (a) shall aggregate all forms, policies, and other
16 related information set forth in any handbooks, mortgagee
17 letters, guidebooks, notices, or bulletins issued by the Sec-
18 retary.

19 (c) UPDATING.—Beginning on the expiration of the
20 date set forth under subsection (a), whenever the Sec-
21 retary issues any new policy, process, or procedure, or re-
22 vises or otherwise amends any existing policy, process, or
23 procedure contained in the resource guide required under
24 subsection (a), such addition, revision, or amendment shall
25 be issued as an amendment to the resource guide.

1 (d) PUBLIC AVAILABILITY; WEBSITE ACCESS.—The
2 resource guide required under subsection (a) shall be made
3 available to the public and posted on the website of the
4 Department of the Housing and Urban Development.

5 (e) AUTHORIZATION OF APPROPRIATIONS.—There
6 are authorized to be appropriated such sums as are nec-
7 essary to carry out this section.

8 **SEC. 6. IMPROVING UNDERWRITING STANDARDS.**

9 (a) IN GENERAL.—Not later than 180 days after the
10 date of enactment of this Act, the Secretary of Housing
11 and Urban Development shall, by mortgagee letter or rule,
12 evaluate and revise as necessary the underwriting stand-
13 ards for mortgages eligible to be insured under title II of
14 the National Housing Act (12 U.S.C. 1707 et seq.), which
15 shall—

16 (1) be based on empirically derived, demon-
17 strably and statistically sound models; and

18 (2) include criteria, the evaluation of which has
19 historically resulted in comparatively low rates of de-
20 linquency and default during adverse economic con-
21 ditions.

22 (b) CRITERIA.—The underwriting standards under
23 subsection (a) shall include an evaluation of—

24 (1) the current or reasonably expected income
25 and financial resources of a borrower;

1 (2) the employment status of a borrower, if in-
2 come used under paragraph (1) is employment in-
3 come;

4 (3) the monthly payment of a borrower under
5 the terms of a mortgage;

6 (4) the monthly payment for any other loan
7 held by the borrower;

8 (5) the monthly payment for any obligations re-
9 lated to the mortgage;

10 (6) any other debt obligations of a borrower, in-
11 cluding alimony and child support;

12 (7) the monthly debt-to-income ratio or residual
13 income of a borrower;

14 (8) the credit history of a borrower; and

15 (9) any other risk factor or criteria, as deter-
16 mined appropriate by the Secretary.

17 **SEC. 7. ENSURING ADEQUATE CAPITAL LEVELS IN THE MU-**
18 **TUAL MORTGAGE INSURANCE FUND.**

19 Section 205 of the National Housing Act (12 U.S.C.
20 1711(f)) is amended—

21 (1) in subsection (f)—

22 (A) in paragraph (2), by striking “shall en-
23 sure that the Fund maintains at least such cap-
24 ital ratio at all times thereafter” and inserting

1 “maintains such ratio thereafter, subject to
2 paragraph (3)”; and

3 (B) by amending paragraph (3) to read as
4 follows:

5 “(3) The Secretary shall ensure that the Mu-
6 tual Mortgage Insurance Fund attains a capital
7 ratio of not less than 3.0 percent within 10 years
8 after the date of enactment of the FHA Solvency
9 Act of 2013, and shall ensure that the Fund main-
10 tains at least such capital ratio at all times there-
11 after.”; and

12 (2) by adding at the end the following:

13 “(g) ENSURING ADEQUATE CAPITAL LEVELS IN THE
14 MUTUAL MORTGAGE INSURANCE FUND.—

15 “(1) EFFECTIVE DATE.—

16 “(A) IN GENERAL.—Except as provided in
17 subparagraph (B), this subsection shall take ef-
18 fect on the date of enactment of the FHA Sol-
19 vency Act of 2013.

20 “(B) EXCEPTION FOR IMPOSITION OF SUR-
21 CHARGES.—

22 “(i) IN GENERAL.—Paragraphs
23 (4)(D), (5)(D), and (6)(D) of this sub-
24 section—

1 “(I) shall not have any force or
2 effect during the 2-year period begin-
3 ning on the date of enactment of the
4 FHA Solvency Act of 2013; and

5 “(II) shall take effect upon the
6 earlier of—

7 “(aa) the expiration of the
8 2-year period set forth under
9 subclause (I), if in any annual
10 independent actuarial study re-
11 quired under section 202(a)(4)
12 the Mutual Mortgage Insurance
13 Fund is designated as critically
14 undercapitalized pursuant to
15 paragraph (6);

16 “(bb) the date the inde-
17 pendent actuary commissioned to
18 carry out the annual independent
19 actuarial study required under
20 section 202(a)(4) submits the re-
21 sults of the fiscal year 2016
22 study to the Secretary, if such
23 study finds that the Mutual
24 Mortgage Insurance Fund has
25 not achieved the capital ratio re-

1 required to be maintained under
2 subsection (f)(1);

3 “(cc) any date occurring
4 after the date set forth under
5 item (bb), but prior to any date
6 set forth under items (dd) or
7 (ee), if in any annual inde-
8 pendent actuarial study required
9 under section 202(a)(4) the inde-
10 pendent actuary commissioned to
11 carry out the study finds—

12 “(AA) that in compari-
13 son to the independent actu-
14 arial study submitted in the
15 most recent prior fiscal year,
16 the capital ratio of the Fund
17 has decreased; and

18 “(BB) the market
19 share for mortgages insured
20 under this title has not been
21 concurrently reduced thus
22 contributing to the decrease
23 in the capital ratio described
24 under subitem (AA);

1 “(dd) the date on which the
2 Mutual Mortgage Insurance
3 Fund attains a capital ratio of
4 3.0 percent; or

5 “(ee) the date that is 10
6 years after the date of enactment
7 of the FHA Solvency Act of
8 2013.

9 “(ii) RULE OF CONSTRUCTION.—For
10 purposes of this subsection, any finding
11 made under item (cc) of clause (i)(II) shall
12 be deemed to mean that the Mutual Mort-
13 gage Insurance Fund is undercapitalized
14 pursuant to paragraph (4) and that not-
15 withstanding the provisions of paragraph
16 (4)(D)(iv), the Secretary shall begin or
17 continue to collect any surcharge set forth
18 under paragraph (4)(D), until the earlier
19 of the date on which—

20 “(I) the next report of the Sec-
21 retary on the annual independent ac-
22 tuarial study required under section
23 202(a)(4) finds that in comparison to
24 the independent actuarial study sub-
25 mitted in the most recent prior fiscal

1 year, the capital ratio of the Fund has
2 increased;

3 “(II) the report of the Secretary
4 required under paragraph (3)(A) finds
5 that in comparison to the independent
6 actuarial study submitted in the most
7 recent prior fiscal year, the capital
8 ratio of the Fund has increased; or

9 “(III) the Mutual Mortgage In-
10 surance Fund has been designated
11 significantly undercapitalized pursu-
12 ant to paragraph (5) or critically
13 undercapitalized pursuant to para-
14 graph (6) and the premium surcharge
15 applicable to any such designation has
16 taken effect.

17 “(2) DUTY OF CHIEF RISK OFFICER.—Fol-
18 lowing the receipt by the Deputy Assistant Secretary
19 and Chief Risk Officer of the final completed report
20 for the fiscal year of the independent actuary com-
21 missioned to carry out the annual independent actu-
22 arial study required under section 202(a)(4) ana-
23 lyzing the capital ratio of the Mutual Mortgage In-
24 surance Fund, the Deputy Assistant Secretary and
25 Chief Risk Officer shall, as part of that individual’s

1 regularly assigned duties and responsibilities, have a
2 duty to notify, within 24 hours, the Secretary of any
3 failure to maintain the capital ratio of the Mutual
4 Mortgage Insurance Fund as required under sub-
5 section (f).

6 “(3) STUDIES AND REPORTS.—

7 “(A) FOR WHEN FUND IS UNDERCAPITAL-
8 IZED OR SIGNIFICANTLY UNDERCAPITALIZED.—

9 If the Mutual Mortgage Insurance Fund is des-
10 ignated as undercapitalized or significantly
11 undercapitalized pursuant to paragraphs (4) or
12 (5), respectively, then not later than 180 days
13 after date on which the Secretary submits the
14 report on the annual independent actuarial
15 study required under section 202(a)(4), and an-
16 nually thereafter until such time as the Mutual
17 Mortgage Insurance Fund achieves the capital
18 ratio required to be maintained under sub-
19 section (f), the Secretary shall provide a report
20 to the Committee on Banking, Housing, and
21 Urban Affairs of the Senate and the Committee
22 on Financial Services of the House of Rep-
23 resentatives updating the results of the inde-
24 pendent actuarial study required under section
25 202(a)(4) to reflect the most recently available

1 information and analyzing the financial position
2 of the Fund.

3 “(B) FOR WHEN FUND IS CRITICALLY
4 UNDERCAPITALIZED.—If the Mutual Mortgage
5 Insurance Fund is designated as critically
6 undercapitalized pursuant to paragraph (6),
7 then not later than the last day of the current
8 fiscal quarter in which the Congress is informed
9 of such events pursuant to paragraph (6)(A),
10 and every fiscal quarter thereafter until such
11 time as the Mutual Mortgage Insurance Fund
12 achieves the capital ratio required to be main-
13 tained under subsection (f) or is designated as
14 undercapitalized or significantly undercapital-
15 ized pursuant to paragraphs (4) or (5), respec-
16 tively, the Secretary shall provide a report to
17 the Committee on Banking, Housing, and
18 Urban Affairs of the Senate and the Committee
19 on Financial Services of the House of Rep-
20 resentatives updating the results of the inde-
21 pendent actuarial study required under section
22 202(a)(4) to reflect the most recently available
23 information and analyzing the financial position
24 of the Fund.

1 “(C) FAILURE TO COMPLY WITH RE-
2 QUIRED TIMELINES.—If the Secretary fails to
3 comply with any timeline required under sub-
4 paragraphs (A) or (B), the Secretary shall ap-
5 pear before the Committee on Banking, Hous-
6 ing, and Urban Affairs of the Senate and the
7 Committee on Financial Services of the House
8 of Representatives within 7 days of the last day
9 of that deadline to provide testimony explaining
10 the failure to comply.

11 “(4) CORRECTIVE ACTIONS WHEN FUND IS
12 UNDERCAPITALIZED.—

13 “(A) NOTICE TO CONGRESS.—Not later
14 than 7 days after the date on which the Sec-
15 retary is informed that the Mutual Mortgage
16 Insurance Fund has a capital ratio of not less
17 than 50 percent but less than 100 percent of
18 the capital ratio required to be maintained
19 under subsection (f), the Secretary shall notify
20 the Chair and Ranking Member of the Com-
21 mittee on Banking, Housing, and Urban Affairs
22 of the Senate and the Chair and Ranking Mem-
23 ber of the Committee on Financial Services of
24 the House of Representatives of such shortfall,

1 and the exact date on which the Secretary was
2 informed of such shortfall.

3 “(B) SUBMISSION OF CAPITAL RESTORA-
4 TION PLAN.—Not later than 30 days after the
5 date on which notice is provided under subpara-
6 graph (A), the Secretary shall submit to the
7 Chair and Ranking Member of the Committee
8 on Banking, Housing, and Urban Affairs of the
9 Senate and the Chair and Ranking Member of
10 the Committee on Financial Services of the
11 House of Representatives a capital restoration
12 plan, including a timeline for implementation of
13 such plan, to achieve the capital ratio required
14 to be maintained under subsection (f). The plan
15 required under this subparagraph shall be re-
16 vised annually until such time as the Mutual
17 Mortgage Insurance Fund achieves the capital
18 ratio required to be maintained under sub-
19 section (f).

20 “(C) CONGRESSIONAL TESTIMONY.—Not
21 later than 45 days after the date on which no-
22 tice is provided under subparagraph (A), and
23 annually thereafter until such time as the Mu-
24 tual Mortgage Insurance Fund achieves the
25 capital ratio required to be maintained under

1 subsection (f), the Secretary shall provide testi-
2 mony to the Committee on Banking, Housing,
3 and Urban Affairs of the Senate and the Com-
4 mittee on Financial Services of the House of
5 Representatives on the capital status of the
6 Fund and the performance or projected per-
7 formance of the plan submitted under subpara-
8 graph (B).

9 “(D) IMPOSITION OF PREMIUM SUR-
10 CHARGE.—

11 “(i) IN GENERAL.—Notwithstanding
12 any limitation on the amount of any pre-
13 mium payment set forth under section
14 203(c), in addition to the premiums col-
15 lected under subparagraphs (A), (B), and
16 (C) of paragraph (2) of section 203(c), if
17 the Mutual Mortgage Insurance Fund is
18 designated as undercapitalized pursuant to
19 this paragraph, the Secretary shall estab-
20 lish and collect annual premium payments
21 for any newly insured mortgage for which
22 the Secretary collects an annual premium
23 payment under section 203(c), except for
24 those mortgages insured pursuant to sec-

1 tion 255, in an amount described in clause
2 (ii).

3 “(ii) AMOUNT OF SURCHARGE.—With
4 respect to a mortgage, the amount de-
5 scribed in this clause is 10 basis points of
6 the remaining insured principal balance
7 (excluding the portion of the remaining
8 balance attributable to the premium col-
9 lected under paragraph (2)(A) of section
10 203(c) and without taking into account de-
11 linquent payments or prepayments).

12 “(iii) EFFECTIVE DATE.—

13 “(I) IN GENERAL.—Subject to
14 subclause (II), the requirement to col-
15 lect the annual premium payment set
16 forth under this subparagraph shall
17 take effect on the date that is 180
18 days after the date on which notice is
19 provided to Congress under subpara-
20 graph (A).

21 “(II) DELAY.—The effective date
22 of the requirement to collect the an-
23 nual premium payment set forth
24 under this subparagraph may be ex-
25 tended for an additional 180 days, if

1 prior to the expiration of the initial
2 180-day time period described under
3 subclause (I), the report of the Sec-
4 retary required under paragraph
5 (3)(A)—

6 “(aa) is submitted to Con-
7 gress; and

8 “(bb) finds that the Mutual
9 Mortgage Insurance Fund has
10 achieved the capital ratio re-
11 quired to be maintained under
12 subsection (f).

13 “(III) REINSTITUTION OF SUR-
14 CHARGE.—Notwithstanding sub-
15 clauses (I) and (II), if the next report
16 of the Secretary on the annual inde-
17 pendent actuarial study required
18 under section 202(a)(4) that is sub-
19 mitted after the report of the Sec-
20 retary described in subclause (II)
21 finds that the Mutual Mortgage In-
22 surance Fund has not achieved the
23 capital ratio required to be main-
24 tained under subsection (f), then the
25 effective date of the requirement to

1 collect the annual premium payment
2 set forth under this subparagraph
3 shall be the date that is 30 days after
4 the date on which such report is sub-
5 mitted to Congress.

6 “(iv) CESSATION OF APPLICATION.—
7 The Secretary shall not be required to col-
8 lect the annual premium payment set forth
9 under this subparagraph, if, at any time
10 after the date on which such requirement
11 has gone into effect, either—

12 “(I) the report of the Secretary
13 on the annual independent actuarial
14 study required under section
15 202(a)(4) finds that the Mutual Mort-
16 gage Insurance Fund has achieved the
17 capital ratio required to be main-
18 tained under subsection (f);

19 “(II) the report of the Secretary
20 required under paragraph (3) finds
21 that the Mutual Mortgage Insurance
22 Fund has achieved the capital ratio
23 required to be maintained under sub-
24 section (f); or

1 “(III) the Mutual Mortgage In-
2 surance Fund has been designated
3 significantly undercapitalized pursu-
4 ant to paragraph (5) or critically
5 undercapitalized pursuant to para-
6 graph (6) and the premium surcharge
7 applicable to any such designation has
8 taken effect.

9 “(5) CORRECTIVE ACTIONS WHEN FUND IS SIG-
10 NIFICANTLY UNDERCAPITALIZED.—

11 “(A) NOTICE TO CONGRESS.—Not later
12 than 7 days after the date on which the Sec-
13 retary is informed that the Mutual Mortgage
14 Insurance Fund has a capital ratio of not less
15 than 0 percent but less than 50 percent of the
16 capital ratio required to be maintained under
17 subsection (f), the Secretary shall notify the
18 Chair and Ranking Member of the Committee
19 on Banking, Housing, and Urban Affairs of the
20 Senate and the Chair and Ranking Member of
21 the Committee on Financial Services of the
22 House of Representatives of such shortfall, and
23 the date on which the Secretary was informed
24 of such shortfall.

1 “(B) SUBMISSION OF REVISED CAPITAL
2 RESTORATION PLAN.—Not later than 30 days
3 after the date on which notice is provided under
4 subparagraph (A), the Secretary shall submit to
5 the Chair and Ranking Member of the Com-
6 mittee on Banking, Housing, and Urban Affairs
7 of the Senate and the Chair and Ranking Mem-
8 ber of the Committee on Financial Services of
9 the House of Representatives a capital restora-
10 tion plan, or a revised capital restoration plan,
11 including a timeline for implementation of such
12 plan or revised plan, to achieve the capital ratio
13 required to be maintained under subsection (f).
14 The plan required under this subparagraph
15 shall be revised annually until such time as the
16 Mutual Mortgage Insurance Fund achieves the
17 capital ratio required to be maintained under
18 subsection (f).

19 “(C) CONGRESSIONAL TESTIMONY.—Not
20 later than 45 days after the date on which no-
21 tice is provided under subparagraph (A), and
22 every 180 days thereafter until such time as the
23 Mutual Mortgage Insurance Fund achieves the
24 capital ratio required to be maintained under
25 subsection (f), the Secretary shall provide testi-

1 mony to the Committee on Banking, Housing,
2 and Urban Affairs of the Senate and the Com-
3 mittee on Financial Services of the House of
4 Representatives on the capital status of the
5 Fund and the performance or projected per-
6 formance of the revised capital restoration plan
7 submitted under subparagraph (B).

8 “(D) IMPOSITION OF PREMIUM SUR-
9 CHARGE.—

10 “(i) IN GENERAL.—Notwithstanding
11 any limitation on the amount of any pre-
12 mium payment set forth under section
13 203(c), in addition to the premiums col-
14 lected under subparagraphs (A), (B), and
15 (C) of paragraph (2) of section 203(c), if
16 the Mutual Mortgage Insurance Fund is
17 designated as significantly undercapitalized
18 pursuant to this paragraph, the Secretary
19 shall establish and collect annual premium
20 payments for any newly insured mortgage
21 for which the Secretary collects an annual
22 premium payment under section 203(c),
23 except for those mortgages insured pursu-
24 ant to section 255, in an amount described
25 in clause (ii).

1 “(ii) AMOUNT OF SURCHARGE.—With
2 respect to a mortgage, the amount de-
3 scribed in this clause is 20 basis points of
4 the remaining insured principal balance
5 (excluding the portion of the remaining
6 balance attributable to the premium col-
7 lected under paragraph (2)(A) of section
8 203(c) and without taking into account de-
9 linquent payments or prepayments).

10 “(iii) EFFECTIVE DATE.—

11 “(I) IN GENERAL.—Subject to
12 subclause (II), the requirement to col-
13 lect the annual premium payment set
14 forth under this subparagraph shall
15 take effect on the date that is 180
16 days after the date on which notice is
17 provided to Congress under subpara-
18 graph (A).

19 “(II) DELAY.—The effective date
20 of the requirement to collect the an-
21 nual premium payment set forth
22 under this subparagraph shall be ex-
23 tended for an additional 180 days, if
24 prior to the expiration of the initial
25 180-day time period described under

1 subclause (I), the report of the Sec-
2 retary required under paragraph
3 (3)(A)—

4 “(aa) is submitted to Con-
5 gress; and

6 “(bb) finds that the Mutual
7 Mortgage Insurance Fund—

8 “(AA) has achieved the
9 capital ratio required to be
10 maintained under subsection
11 (f); or

12 “(BB) has a capital
13 ratio of not less than 50
14 percent but less than 100
15 percent of the capital ratio
16 required to be maintained
17 under subsection (f), at
18 which point the provisions of
19 paragraph (4)(D) shall be
20 applicable, except that the
21 provisions of clause (iii) of
22 such paragraph (4)(D) shall
23 not be applicable and that
24 the premium surcharge ap-
25 plicable to such paragraph

1 shall take effect within 30
2 days of the issuance of such
3 report.

4 “(III) REINSTITUTION OF SUR-
5 CHARGE.—Notwithstanding sub-
6 clauses (I) and (II), if the next report
7 of the Secretary on the annual inde-
8 pendent actuarial study required
9 under section 202(a)(4) that is sub-
10 mitted after the report of the Sec-
11 retary described in subclause (II)
12 finds that the Mutual Mortgage In-
13 surance Fund has a capital ratio of
14 not less than 0 percent but less than
15 50 percent of the capital ratio re-
16 quired to be maintained under sub-
17 section (f), then the effective date of
18 the requirement to collect the annual
19 premium payment set forth under this
20 subparagraph shall be the date that is
21 30 days after the date on which such
22 report is submitted to Congress.

23 “(iv) CESSATION OF APPLICATION.—
24 The Secretary shall not be required to col-
25 lect the annual premium payment set forth

1 under this subparagraph, if, at any time
2 after the date on which such requirement
3 has gone into effect, either—

4 “(I) the report of the Secretary
5 on the annual independent actuarial
6 study required under section
7 202(a)(4) finds that the Mutual Mort-
8 gage Insurance Fund—

9 “(aa) has achieved the cap-
10 ital ratio required to be main-
11 tained under subsection (f); or

12 “(bb) has a capital ratio of
13 not less than 50 percent but less
14 than 100 percent of the capital
15 ratio required to be maintained
16 under subsection (f), at which
17 point the provisions of paragraph
18 (4)(D) shall be applicable, except
19 that the provisions of clause (iii)
20 of such paragraph (4)(D) shall
21 not be applicable and that the
22 premium surcharge applicable to
23 such paragraph shall take effect
24 within 30 days of the issuance of
25 such report;

1 “(II) the report of the Secretary
2 required under paragraph (3)(A) finds
3 that the Mutual Mortgage Insurance
4 Fund—

5 “(aa) has achieved the cap-
6 ital ratio required to be main-
7 tained under subsection (f); or

8 “(bb) has a capital ratio of
9 not less than 50 percent but less
10 than 100 percent of the capital
11 ratio required to be maintained
12 under subsection (f), at which
13 point the provisions of paragraph
14 (4)(D) shall be applicable, except
15 that the provisions of clause (iii)
16 of such paragraph (4)(D) shall
17 not be applicable and that the
18 premium surcharge applicable to
19 such paragraph shall take effect
20 within 30 days of the issuance of
21 such report; or

22 “(III) the Mutual Mortgage In-
23 surance Fund has been designated
24 critically undercapitalized pursuant to
25 paragraph (6) and the premium sur-

1 charge applicable to any such designa-
2 tion has taken effect.

3 “(E) REQUIRED EXAMINATION OF UNDER-
4 WRITING REQUIREMENTS.—If the Mutual Mort-
5 gage Insurance Fund is designated as signifi-
6 cantly undercapitalized pursuant to this para-
7 graph, the Secretary shall—

8 “(i) not later than 30 days after the
9 date on which notice is provided under
10 subparagraph (A), examine all of its prod-
11 uct lines, product or insurance features,
12 and underwriting criteria for ways to
13 strengthen and enhance such products,
14 features, or criteria to limit losses to the
15 Mutual Mortgage Insurance Fund;

16 “(ii) in carrying out the requirement
17 under clause (i), undertake such examina-
18 tion actions as are necessary to reduce the
19 financial vulnerability of the Mutual Mort-
20 gage Insurance Fund from those risk char-
21 acteristics or product lines that most con-
22 tribute to the default of mortgages insured
23 under section 202, including by reviewing
24 the underwriting and servicing standards
25 for mortgages to be insured by the Sec-

1 retary, including, but not limited to, a re-
2 view of—

3 “(I) the amount of cash or its
4 equivalent required to be paid on ac-
5 count of the property subject to a
6 mortgage that is an obligation of the
7 Fund;

8 “(II) servicer compliance with
9 any loan servicing or loss mitigation
10 guidelines of the Secretary; and

11 “(III) economic conditions
12 present in the housing market, pro-
13 vided there is a demonstrated likeli-
14 hood that the policies of the Secretary
15 would impact those economic condi-
16 tions; and

17 “(iii) submit to the Committee on
18 Banking, Housing, and Urban Affairs of
19 the Senate and the Committee on Finan-
20 cial Services of the House of Representa-
21 tives any analysis, findings, or rec-
22 ommendations used or made by the Sec-
23 retary to carry out the requirements of this
24 subparagraph.

1 “(6) CORRECTIVE ACTIONS WHEN FUND IS
2 CRITICALLY UNDERCAPITALIZED.—

3 “(A) NOTICE TO CONGRESS.—Not later
4 than 7 days after the date on which the Sec-
5 retary is informed that the Mutual Mortgage
6 Insurance Fund has a capital ratio of less than
7 0 percent of the capital ratio required to be
8 maintained under subsection (f), the Secretary
9 shall notify the Chair and Ranking Member of
10 the Committee on Banking, Housing, and
11 Urban Affairs of the Senate and the Chair and
12 Ranking Member of the Committee on Finan-
13 cial Services of the House of Representatives of
14 such shortfall, and the date on which the Sec-
15 retary was informed of such shortfall.

16 “(B) SUBMISSION OF FURTHER REVISED
17 CAPITAL RESTORATION PLAN.—Not later than
18 30 days after the date on which notice is pro-
19 vided under subparagraph (A), the Secretary
20 shall jointly submit with the Secretary of the
21 Treasury to the Chair and Ranking Member of
22 the Committee on Banking, Housing, and
23 Urban Affairs of the Senate and the Chair and
24 Ranking Member of the Committee on Finan-
25 cial Services of the House of Representatives a

1 capital restoration plan, or a revised capital res-
2 toration plan, including a timeline for imple-
3 mentation of such plan, to achieve the capital
4 ratio required to be maintained under sub-
5 section (f). The plan required under this sub-
6 paragraph shall be revised and submitted annu-
7 ally with the Secretary of the Treasury, until
8 such time as the Mutual Mortgage Insurance
9 Fund achieves the capital ratio required to be
10 maintained under subsection (f).

11 “(C) CONGRESSIONAL TESTIMONY.—Not
12 later than 45 days after the date on which no-
13 tice is provided under subparagraph (A), and
14 every 180 days thereafter until such time as the
15 Mutual Mortgage Insurance Fund achieves the
16 capital ratio required to be maintained under
17 subsection (f), the Secretary and the Secretary
18 of the Treasury shall each provide testimony to
19 the Committee on Banking, Housing, and
20 Urban Affairs of the Senate and the Committee
21 on Financial Services of the House of Rep-
22 resentatives on the capital status of the Fund
23 and the success or failure of the further revised
24 capital restoration plan submitted under sub-
25 paragraph (B).

1 “(D) IMPOSITION OF PREMIUM SUR-
2 CHARGE.—

3 “(i) IN GENERAL.—Notwithstanding
4 any limitation on the amount of any pre-
5 mium payment set forth under section
6 203(e), in addition to the premiums col-
7 lected under subparagraphs (A), (B), and
8 (C) of paragraph (2) of section 203(e), if
9 the Mutual Mortgage Insurance Fund is
10 designated as critically undercapitalized
11 pursuant to this paragraph, the Secretary
12 shall establish and collect annual premium
13 payments for any newly insured mortgage
14 for which the Secretary collects an annual
15 premium payment under section 203(e),
16 except for those mortgages insured pursu-
17 ant to section 255, in an amount described
18 in clause (ii).

19 “(ii) AMOUNT OF SURCHARGE.—With
20 respect to a mortgage, the amount de-
21 scribed in this clause is 30 basis points of
22 the remaining insured principal balance
23 (excluding the portion of the remaining
24 balance attributable to the premium col-
25 lected under paragraph (2)(A) of section

1 203(c) and without taking into account de-
2 linquent payments or prepayments).

3 “(iii) EFFECTIVE DATE.—

4 “(I) IN GENERAL.—Subject to
5 subclause (II), the requirement to col-
6 lect the annual premium payment set
7 forth under this subparagraph shall
8 take effect on the date that is 180
9 days after the date on which notice is
10 provided to Congress under subpara-
11 graph (A).

12 “(II) DELAY.—The effective date
13 of the requirement to collect the an-
14 nual premium payment set forth
15 under this subparagraph shall be ex-
16 tended for an additional 180 days, if
17 prior to the expiration of the initial
18 180-day time period described under
19 subclause (I), the report of the Sec-
20 retary required under paragraph
21 (3)(B)—

22 “(aa) is submitted to Con-
23 gress; and

24 “(bb) finds that the Mutual
25 Mortgage Insurance Fund—

1 “(AA) has achieved the
2 capital ratio required to be
3 maintained under subsection
4 (f);

5 “(BB) has a capital
6 ratio of not less than 50
7 percent but less than 100
8 percent of the capital ratio
9 required to be maintained
10 under subsection (f), at
11 which point the provisions of
12 paragraph (4)(D) shall be
13 applicable, except that the
14 provisions of clause (iii) of
15 such paragraph (4)(D) shall
16 not be applicable and that
17 the premium surcharge ap-
18 plicable to such paragraph
19 shall take effect within 30
20 days of the issuance of such
21 report; or

22 “(CC) has a capital
23 ratio of not less than 0 per-
24 cent but less than 50 per-
25 cent of the capital ratio re-

1 required to be maintained
2 under subsection (f), at
3 which point the provisions of
4 paragraph (5)(D) shall be
5 applicable, except that the
6 provisions of clause (iii) of
7 such paragraph (5)(D) shall
8 not be applicable and that
9 the premium surcharge ap-
10 plicable to such paragraph
11 shall take effect within 30
12 days of the issuance of such
13 report.

14 “(III) REINSTITUTION OF SUR-
15 CHARGE.—Notwithstanding sub-
16 clauses (I) and (II), if within 1 cal-
17 endar year any report of the Secretary
18 required under paragraph (3)(B)
19 finds that the Mutual Mortgage In-
20 surance Fund has a capital ratio of
21 less than 0 percent of the capital ratio
22 required to be maintained under sub-
23 section (f), then the effective date of
24 the requirement to collect the annual
25 premium payment set forth under this

1 subparagraph shall be the date that is
2 30 days after the date on which such
3 report is submitted to Congress.

4 “(iv) CESSATION OF APPLICATION.—
5 The Secretary shall not be required to col-
6 lect the annual premium payment set forth
7 under this subparagraph, if, at any time
8 after the date on which such requirement
9 has gone into effect, either—

10 “(I) the report of the Secretary
11 on the annual independent actuarial
12 study required under section
13 202(a)(4) finds that the Mutual Mort-
14 gage Insurance Fund—

15 “(aa) has achieved the cap-
16 ital ratio required to be main-
17 tained under subsection (f);

18 “(bb) has a capital ratio of
19 not less than 50 percent but less
20 than 100 percent of the capital
21 ratio required to be maintained
22 under subsection (f), at which
23 point the provisions of paragraph
24 (4)(D) shall be applicable, except
25 that the provisions of clause (iii)

1 of such paragraph (4)(D) shall
2 not be applicable and that the
3 premium surcharge applicable to
4 such paragraph shall take effect
5 within 30 days of the issuance of
6 such report; or

7 “(cc) has a capital ratio of
8 not less than 0 percent but less
9 than 50 percent of the capital
10 ratio required to be maintained
11 under subsection (f), at which
12 point the provisions of paragraph
13 (5)(D) shall be applicable, except
14 that the provisions of clause (iii)
15 of such paragraph (5)(D) shall
16 not be applicable and that the
17 premium surcharge applicable to
18 such paragraph shall take effect
19 within 30 days of the issuance of
20 such report; or

21 “(II) the report of the Secretary
22 required under paragraph (3)(B)
23 finds that the Mutual Mortgage In-
24 surance Fund—

1 “(aa) has achieved the cap-
2 ital ratio required to be main-
3 tained under subsection (f);

4 “(bb) has a capital ratio of
5 not less than 50 percent but less
6 than 100 percent of the capital
7 ratio required to be maintained
8 under subsection (f), at which
9 point the provisions of paragraph
10 (4)(D) shall be applicable, except
11 that the provisions of clause (iii)
12 of such paragraph (4)(D) shall
13 not be applicable and that the
14 premium surcharge applicable to
15 such paragraph shall take effect
16 within 30 days of the issuance of
17 such report; or

18 “(cc) has a capital ratio of
19 not less than 0 percent but less
20 than 50 percent of the capital
21 ratio required to be maintained
22 under subsection (f), at which
23 point the provisions of paragraph
24 (5)(D) shall be applicable, except
25 that the provisions of clause (iii)

1 of such paragraph (5)(D) shall
2 not be applicable and that the
3 premium surcharge applicable to
4 such paragraph shall take effect
5 within 30 days of the issuance of
6 such report.

7 “(E) REQUIRED ENHANCEMENTS TO UN-
8 DERWRITING REQUIREMENTS.—If the Mutual
9 Mortgage Insurance Fund is designated as
10 critically undercapitalized pursuant to this
11 paragraph, the Secretary shall—

12 “(i) not later than 30 days after the
13 date on which notice is provided under
14 subparagraph (A), take such actions as
15 necessary to revise its product lines, prod-
16 uct or insurances features, or underwriting
17 criteria in order to strengthen and enhance
18 such products, features, or criteria to limit
19 losses to the Mutual Mortgage Insurance
20 Fund;

21 “(ii) in carrying out the requirement
22 under clause (i), undertake such actions as
23 are necessary to reduce the financial vul-
24 nerability of the Mutual Mortgage Insur-
25 ance Fund from those risk characteristics

1 or product lines that most contribute to
2 the default of mortgages insured under
3 section 202, such actions—

4 “(I) may include, but are not
5 limited to, a revision of the—

6 “(aa) amount of cash or its
7 equivalent required to be paid on
8 account of the property subject
9 to a mortgage that is an obliga-
10 tion of the Fund;

11 “(bb) servicer standards for
12 compliance with any loan serv-
13 icing or loss mitigation guidelines
14 of the Secretary; and

15 “(cc) treatment of loan
16 modification requests made by
17 borrowers having insurance pro-
18 vided under this title seeking as-
19 sistance under a modification
20 program of the Secretary; and

21 “(II) shall take into consideration
22 economic conditions present in the
23 housing market, provided there is a
24 demonstrated likelihood that the poli-

1 cies of the Secretary would impact
2 those economic conditions; and

3 “(iii) submit to the Committee on
4 Banking, Housing, and Urban Affairs of
5 the Senate and the Committee on Finan-
6 cial Services of the House of Representa-
7 tives any relevant final analysis used by
8 the Secretary to carry out the require-
9 ments of this subparagraph.

10 “(7) MANDATORY REEVALUATION.—Upon the
11 Mutual Mortgage Insurance Fund achieving the cap-
12 ital ratio required to be maintained under subsection
13 (f), the Secretary—

14 “(A) shall review any actions taken pursu-
15 ant to this subsection;

16 “(B) shall examine and determine wheth-
17 er—

18 “(i) the need to maintain such action
19 is necessary; and

20 “(ii) the repeal, revision, or amend-
21 ment of any such action can be carried out
22 without having any adverse effect on the
23 ability of the Fund to maintain the capital
24 ratio required under subsection (f); and

1 and ensuring the performance of mortgages in-
2 sured by the Department to protect borrowers
3 and taxpayers.

4 “(B) RESPONSIBILITIES.—The Deputy As-
5 sistant Secretary and Chief Risk Officer estab-
6 lished under subparagraph (A) shall have—

7 “(i) comprehensive risk management
8 and regulatory knowledge in key risks, in-
9 cluding credit, interest rate, and oper-
10 ational risk;

11 “(ii) a sound understanding of the
12 tools and methodologies used to measure
13 and quantify risk, including the use of sta-
14 tistical models; and

15 “(iii) a broad understanding and
16 knowledge of mortgage industry best prac-
17 tices for risk management.

18 “(C) UNDERWRITING REPORT.—

19 “(i) IN GENERAL.—Not later than 1
20 year after the date of enactment of the
21 FHA Solvency Act of 2013, and annually
22 thereafter, the Deputy Assistant Secretary
23 and Chief Risk Officer (or, if not yet ap-
24 pointed, the Commissioner of the Federal
25 Housing Administration) shall prepare a

1 report on the underwriting standards for
2 mortgages insured under title II of the Na-
3 tional Housing Act (12 U.S.C. 1707 et
4 seq.), which shall be submitted by the Sec-
5 retary to—

6 “(I) the Committee on Banking,
7 Housing, and Urban Affairs of the
8 Senate; and

9 “(II) the Committee on Financial
10 Services of the House of Representa-
11 tives.

12 “(ii) CONTENTS.—The report required
13 under clause (i) shall include—

14 “(I) for all mortgages insured
15 under title II of the National Housing
16 Act that were made not less than 6
17 months and not more than 36 months
18 before the date of the report, an iden-
19 tification of the default risk character-
20 istics as such characteristics existed at
21 the time of origination of the mort-
22 gage based on risk factors that are
23 commonly used in evaluating mort-
24 gage default risk, including—

- 1 “(aa) the current or reason-
2 ably expected income and finan-
3 cial resources of a borrower;
- 4 “(bb) the employment status
5 of a borrower, if income used
6 under item (aa) is employment
7 income;
- 8 “(cc) the monthly mortgage
9 payment of a borrower under the
10 terms of a mortgage;
- 11 “(dd) the monthly payment
12 for any other loan held by the
13 borrower;
- 14 “(ee) the monthly payment
15 for any obligations related to the
16 mortgage;
- 17 “(ff) any other debt obliga-
18 tions of a borrower, including ali-
19 mony and child support;
- 20 “(gg) the monthly debt-to-
21 income ratio or residual income
22 of a borrower;
- 23 “(hh) the credit history of a
24 borrower; and

1 “(ii) any other risk factor,
2 as determined appropriate by the
3 Secretary;

4 “(II) in tabular format, the num-
5 ber of mortgages insured under title
6 II of the National Housing Act that
7 are in default and the rate of default
8 for—

9 “(aa) each for the character-
10 istics described in subclause (I);

11 “(bb) any multi-way com-
12 bination of the characteristics in
13 subclause (I) as determined ap-
14 propriate by the Secretary; and

15 “(cc) any additional multi-
16 way combination of the charac-
17 teristics in subclause (I) as may
18 be requested by the Chair or
19 Ranking Member of the Com-
20 mittee on Banking, Housing, and
21 Urban Affairs of the Senate or
22 the Chair or Ranking Member of
23 the Committee on Financial
24 Services of the House of Rep-
25 resentatives, provided that the

1 Deputy Assistant Secretary and
2 Chief Risk Officer (or, if not yet
3 appointed, the Commissioner of
4 the Federal Housing Administra-
5 tion) shall be provided an addi-
6 tional 30 days from the date of
7 receipt of such request to satisfy
8 such request;

9 “(III) an analysis of mortgages
10 insured under title II of the National
11 Housing Act that were made not less
12 than 6 months and not more than 36
13 months before the date of the report
14 and are in the lowest quartile and
15 decile of loan performance, which
16 shall include—

17 “(aa) a description of the
18 characteristics described in sub-
19 clause (I) for mortgages in the
20 lowest quartile and decile of loan
21 performance; and

22 “(bb) a comparison of the
23 characteristics described in sub-
24 clause (I) between mortgages in
25 the lowest quartile and decile of

1 loan performance and all other
2 mortgages insured under title II
3 of the National Housing Act;

4 “(IV) recommendations by the
5 Deputy Assistant Secretary and Chief
6 Risk Officer for revisions to the un-
7 derwriting standards of the Secretary
8 for mortgages eligible to be insured
9 under title II of the National Housing
10 Act based on the findings of the re-
11 port, and a response to those rec-
12 ommendations from the Secretary;
13 and

14 “(V) a quantitative analysis of
15 the effects of any revisions to the un-
16 derwriting standards made by the
17 Secretary in response to the findings
18 of a prior report, and any rec-
19 ommendations of the Deputy Assist-
20 ant Secretary and Chief Risk Officer
21 in response to those revisions.”.

22 (b) CONFORMING AMENDMENT.—Section 202(a)(4)
23 of the National Housing Act (12 U.S.C. 1708(a)(4)) is
24 amended by inserting after the first sentence the fol-
25 lowing: “The independent actuary commissioned to carry

1 out the annual independent actuarial study required under
2 this paragraph shall submit such study to the Deputy As-
3 sistant Secretary and Chief Risk Officer.”.

4 **SEC. 9. DISCLOSURE OF EVENTS.**

5 Section 202(a)(4) of the National Housing Act (12
6 U.S.C. 1708(a)(4)) is amended—

7 (1) by striking “The Secretary shall” and in-
8 serting the following:

9 “(1) IN GENERAL.—The Secretary shall”; and

10 (2) by adding at the end the following:

11 “(2) DISCLOSURE OF UNFORESEEN EVENTS.—

12 “(A) IN GENERAL.—Prior to the submis-
13 sion of any report of the Secretary under para-
14 graph (1), the Secretary shall require that the
15 independent actuary commissioned to perform
16 the study required under paragraph (1) disclose
17 to the Secretary any events or circumstances
18 that occur after the study is completed but be-
19 fore the report is submitted to Congress and
20 that would have resulted in changes to the in-
21 puts or assumptions the actuary used to make
22 forecasts about the financial position of the
23 Fund, if such changes are sufficiently signifi-
24 cant that a reasonable person would expect
25 them to substantially alter the actuary’s fore-

1 casts of the economic value of the Fund or the
2 actuary's projections relating to the capital re-
3 serve ratio of the Fund.

4 “(B) INFORMING CONGRESS.—The Sec-
5 retary shall inform Congress of any disclosures
6 required under subparagraph (A) either by—

7 “(i) the submission of an addendum
8 to the report of the Secretary required
9 under paragraph (1); or

10 “(ii) a letter from the Secretary ad-
11 dressed to the Committee on Banking,
12 Housing, and Urban Affairs of the Senate
13 and the Committee on Financial Services
14 of the House of Representatives.”.

15 **SEC. 10. GAO STUDY ON DISCLOSURES.**

16 (a) IN GENERAL.—Not later than 180 days after the
17 date of enactment of this Act, the Comptroller General
18 of the United States shall conduct a one-time study of the
19 relevant information disclosed by the Secretary of Housing
20 and Urban Development in conjunction with the release
21 of the annual actuarial report of the Secretary required
22 under section 202(a)(4) of the National Housing Act (12
23 U.S.C. 1708(a)(4)).

24 (b) REQUIRED CONSULTATION.—In conducting the
25 study required under subsection (a), the Comptroller Gen-

1 eral shall consult, as appropriate, with prominent United
2 States academics with national recognition and significant
3 depth of experience in the housing market and the per-
4 formance of high loan-to-value lending.

5 (c) REQUIRED REVIEW.—In carrying out the study
6 required under subsection (a), the Comptroller General
7 shall review and make recommendations regarding—

8 (1) if a reasonable amount of relevant data and
9 analyses are being disclosed by the Secretary of
10 Housing and Urban Development to the public, for
11 research, in conjunction with the release of the an-
12 nual actuarial report of the Secretary required under
13 section 202(a)(4) of the National Housing Act (12
14 U.S.C. 1708(a)(4)); and

15 (2) the disclosure by the Secretary of additional
16 relevant data and analyses to the public, for re-
17 search purposes.

18 (d) FOLLOW UP.—Not later than 12 months after the
19 release of the study required under subsection (a), the
20 Comptroller General shall conduct an additional report re-
21 garding the actions of the Secretary of Housing and
22 Urban Development in carrying out any recommendations
23 of the Comptroller General made pursuant to subsection
24 (c)(2).

1 **SEC. 11. STABILIZING THE HECM PROGRAM.**

2 (a) IN GENERAL.—Section 255 of the National
3 Housing Act (12 U.S.C. 1715z–20) is amended—

4 (1) in subsection (d)(8)—

5 (A) by inserting “property maintenance,”
6 before “insurance”; and

7 (B) by inserting “, including matters that
8 set forth terms and provisions for establishing
9 escrow accounts, performing financial assess-
10 ments, or limiting the amount of any payment
11 made available under the mortgage” before the
12 semicolon; and

13 (2) in subsection (h)—

14 (A) in paragraph (1), by striking “; and”
15 and inserting a semicolon;

16 (B) in paragraph (2), by striking the pe-
17 riod and inserting “; and”; and

18 (C) by adding at the end the following new
19 paragraph:

20 “(3) by notice or mortgagee letter, establish any
21 additional or alternative requirements that the Sec-
22 retary, in his or her discretion, determines necessary
23 to more effectively carry out the purposes of the pro-
24 gram authorized under this section, and any such
25 notice or mortgagee letter shall take effect upon
26 issuance and expire not later than 24 months after

1 the date of issuance of the notice or mortgagee let-
2 ter.”.

3 (b) RULEMAKING.—

4 (1) IN GENERAL.—In carrying out the author-
5 ity provided to the Secretary of Housing and Urban
6 Development under section 255(h)(3) of the Na-
7 tional Housing Act, as added by subsection (a), the
8 Secretary shall—

9 (A) not later than 90 days after the
10 issuance of the notice or mortgagee letter pur-
11 suant to such section, issue a notice of proposed
12 rulemaking addressing the same additional or
13 alternative requirements that are the subject of
14 the notice or mortgagee letter; and

15 (B) not later than 24 months after the
16 issuance of the notice of proposed rulemaking
17 required under subparagraph (A)—

18 (i) issue a final rule addressing the
19 same additional or alternative require-
20 ments that are the subject of the notice or
21 mortgagee letter; or

22 (ii) withdraw the notice or mortgagee
23 letter.

24 (2) FAILURE TO COMPLY.—If the Secretary of
25 Housing and Urban Development fails to issue a

1 final rule by the end of the period described under
2 paragraph (1)(B)—

3 (A) the provisions of the notice or mort-
4 gagee letter at issue shall become null and void;

5 (B) the Secretary—

6 (i) shall not have authority to reissue
7 such notice or mortgagee letter; and

8 (ii) may only address the require-
9 ments that are the subject of the notice or
10 mortgagee letter at issue through the pro-
11 mulgation of a regulation pursuant to the
12 rulemaking requirements of title 5, United
13 States Code; and

14 (C) the Secretary and the Director of Of-
15 fice of Management and Budget shall appear
16 before the Committee on Banking, Housing,
17 and Urban Affairs of the Senate and the Com-
18 mittee on Financial Services of the House of
19 Representatives to provide testimony explaining
20 the failure to comply with the requirements of
21 this subsection.

1 **SEC. 12. PUBLICATION OF FINAL RULES RELATING TO LIM-**
2 **ITING SELLER CONTRIBUTIONS TOWARDS**
3 **PURCHASE RELATED EXPENSES.**

4 (a) **REQUIRED COMPLETION OF RULE.**—Not later
5 than 90 days after the date of enactment of this Act, the
6 Secretary of Housing and Urban Development shall—

7 (1) issue and publish its final rule to implement
8 the proposed rule entitled “Federal Housing Admin-
9 istration (FHA) Risk Management Initiatives: Re-
10 vised Seller Concessions” (77 Fed. Reg. 10695
11 (February 23, 2012)); and

12 (2) ensure that the final rule required under
13 paragraph (1)—

14 (A) limits the amount a seller or interested
15 third party, or both, may contribute towards
16 the purchase-related expenses of a borrower
17 without reducing the maximum insured amount
18 of a mortgage insured under title II of the Na-
19 tional Housing Act (12 U.S.C. 1707 et seq.);
20 and

21 (B) defines the acceptable types of ex-
22 penses that a seller or interested third party, or
23 both, may contribute under subparagraph (A),
24 such as closing costs, prepaid expenses, dis-
25 count points, up-front mortgage insurance pre-
26 miums, and interest rate buydowns.

1 (b) FAILURE TO COMPLY.—If the Secretary of Hous-
2 ing and Urban Development fails to issue a final rule by
3 the end of the period described under subsection (a), the
4 Secretary and the Director of Office of Management and
5 Budget shall appear before the Committee on Banking,
6 Housing, and Urban Affairs of the Senate and the Com-
7 mittee on Financial Services of the House of Representa-
8 tives to provide testimony explaining the failure to comply
9 with the requirements of this section.

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