

AMENDMENT TO H.R. _____
OFFERED BY MR. GARRETT OF NEW JERSEY
[FHA Emergency Fiscal Solvency Act]

At the end of the bill, add the following new sections:

1 **SEC. 12. FHA EMERGENCY CAPITAL PLAN.**

2 (a) ESTABLISHMENT.—Not later than the expiration
3 of the 30-day period beginning on the date of the enact-
4 ment of this Act, the Secretary of Housing and Urban
5 Development shall develop, submit to the Congress, and
6 commence implementation of an emergency capital plan
7 for the restoration of the fiscal solvency of the Mutual
8 Mortgage Insurance Fund (in this section referred to as
9 the “Fund”).

10 (b) CONTENTS.—The emergency capital plan devel-
11 oped pursuant to this section shall—

12 (1) provide a detailed explanation of the proc-
13 esses and controls by which amounts of capital that
14 are assets of the Fund are monitored and tracked;

15 (2) establish a plan to ensure the financial safe-
16 ty and soundness of the Fund that avoids the need
17 for borrowing amounts from the Treasury of the
18 United States to meet obligations of the Fund; and

1 (3) describe the procedure by which, if nec-
2 essary, any amounts from the Treasury needed to
3 meet obligations of the Fund will be obtained from
4 the Treasury.

5 (c) BIWEEKLY REPORTS.—

6 (1) REPORTS.—Subject to paragraph (3), upon
7 the conclusion of each reporting period under para-
8 graph (2), the Secretary of Housing and Urban De-
9 velopment shall submit to the Congress a report as-
10 sessing the financial status of the Fund at the con-
11 clusion of such period, setting forth the capital ratio
12 (as such term is defined in section 205(f)(3) of the
13 National Housing Act (12 U.S.C. 1711(f)(3))) of the
14 Fund at the conclusion of such period, and describ-
15 ing any actions taken during such period to help en-
16 sure the financial soundness of the Fund and com-
17 pliance with section 205(f) of the National Housing
18 Act (relating to a capital ratio requirement of 2.0
19 percent).

20 (2) REPORTING PERIOD.—The reporting peri-
21 ods under this paragraph are the 14-day period that
22 begins on the date of the enactment of this Act and
23 each successive 14-day period thereafter.

24 (3) TERMINATION OF REPORTING REQUIRE-
25 MENT.—The requirement to submit reports under

1 paragraph (1) shall terminate on the first date after
2 the date of the enactment of this Act that the Fund
3 attains a capital ratio (as such term is defined in
4 section 205(f)(3) of the National Housing Act) of
5 2.0 percent.

6 **SEC. 13. FHA SAFETY AND SOUNDNESS REVIEW.**

7 (a) REVIEW.—The Secretary of the Treasury shall
8 provide for an independent third party to—

9 (1) conduct a review of the mortgage insurance
10 programs and funds of the Secretary of Housing
11 and Urban Development that shall determine—

12 (A) the financial safety and soundness of
13 such programs and funds; and

14 (B) the extent of loan loss reserves and
15 capital adequacy of such programs and funds;
16 and

17 (2) to submit a report under subsection (b).

18 Such review shall be conducted in accordance with gen-
19 erally accepted accounting principles applicable to the pri-
20 vate sector.

21 (b) REPORT.—The report under this subsection shall
22 describe the methodology and standards used to conduct
23 the review under subsection (a)(1), set forth the results
24 and findings of the review, including the extent of loan
25 loss reserves and capital adequacy of the mortgage insur-

1 ance programs and funds of the Secretary of Housing and
2 Urban Development, and include recommendations re-
3 garding restoring such reserves and capital to maintain
4 such programs and funds in a safe and sound condition.

5 (c) **TIMING.**—The review required under subsection
6 (a) shall be completed, and the report required under sub-
7 section (b) shall be submitted, not later than the expira-
8 tion of the 60-day period beginning on the date of the en-
9 actment of this Act.

10 **SEC. 14. FHA DISCLOSURE STANDARDS.**

11 Not later than the expiration of the 90-day period
12 beginning on the date of the enactment of this Act, the
13 Secretary of Housing and Urban Development shall review
14 and revise all standards and requirements relating to dis-
15 closure of information regarding the mortgage insurance
16 programs and funds, including actuarial studies conducted
17 under section 202(a)(4) of the National Housing Act (12
18 U.S.C. 1708(a)(4)), quarterly reports under section
19 202(a)(5) of such Act, and annual audited financial state-
20 ments under section 538 of such Act (12 U.S.C. 1735f-
21 16), to ensure that, after the date of the enactment of
22 this Act, such disclosures—

23 (1) provide meaningful financial and other in-
24 formation that is timely, comprehensive, and accu-
25 rate;

1 (2) do not contain any material misstatements
2 or misrepresentations;

3 (3) make available all relevant information; and

4 (4) prohibit material omissions that make the
5 contents of the disclosure misleading.

6 **SEC. 15. DISCLOSURE OF DEFAULT RATE TO BORROWER.**

7 (a) **UNIFORM SETTLEMENT STATEMENT.**—Sub-
8 section (a) of section 4 of the Real Estate Settlement Pro-
9 cedures Act of 1974 (12 U.S.C. 2603(a)) is amended by
10 inserting after the third sentence the following new sen-
11 tence: “Such forms shall also conspicuously and clearly
12 provide, in the case of any mortgage loan to be insured
13 by the Secretary, the probability of default for the loan
14 expressed as an estimated conditional or expected claim
15 rate for loans insured by the Secretary and having similar
16 risk characteristics, to the extent such a probability of de-
17 fault has been estimated by the Secretary.”

18 (b) **GOOD FAITH ESTIMATE.**—Subsection (c) of sec-
19 tion 5 of the Real Estate Settlement Procedures Act of
20 1974 (12 U.S.C. 2604(c)) is amended by inserting after
21 the first sentence the following new sentence: “Such good
22 faith estimate shall also conspicuously and clearly provide,
23 in the case of any mortgage loan to be insured by the Sec-
24 retary, the probability of default for the loan expressed
25 as a estimated conditional or expected claim rate for loans

1 insured by the Secretary and having similar risk charac-
2 teristics, to the extent such a probability of default has
3 been estimated by the Secretary.”

4 (c) PROVISION OF DEFAULT RATE INFORMATION TO
5 LENDERS.—Section 540 of the National Housing Act (12
6 U.S.C. 171735f–18) is amended by adding at the end the
7 following new subsection:

8 “(e) PROVISION OF DEFAULT RATE INFORMATION
9 TO LENDERS.—To the extent the Secretary has deter-
10 mined such information, the Secretary shall provide to
11 lenders under mortgages to be insured by the Secretary
12 such information as may be necessary to comply with the
13 requirements of the fourth sentence of section 4(a), and
14 the second sentence of section 5(c), of the Real Estate Set-
15 tlement Procedures Act of 1974 (12 U.S.C. 2603(a),
16 2604(c); relating to probability of default).”

