

H.R. 4264

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Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “FHA Emergency Fiscal Solvency Act of 2012”.

4 (b) **TABLE OF CONTENTS.**—The table of contents for
5 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. FHA annual mortgage insurance premiums.
- Sec. 3. Indemnification by FHA mortgagees.
- Sec. 4. Early period delinquencies.
- Sec. 5. Semiannual actuarial studies of MMIF during periods of capital depletion.
- Sec. 6. Delegation of FHA insuring authority.
- Sec. 7. Authority to terminate FHA mortgagee origination and underwriting approval.
- Sec. 8. Authorization to participate in the origination of FHA-insured loans.
- Sec. 9. Reporting of mortgagee actions taken against other mortgagees.
- Sec. 10. Default and origination information by loan servicer and originating direct endorsement lender.
- Sec. 11. Deputy Assistant Secretary of FHA for Risk Management and Regulatory Affairs.
- Sec. 12. Establishment of Chief Risk Officer for GNMA.
- Sec. 13. Report on mortgage servicers.
- Sec. 14. FHA emergency capital plan.
- Sec. 15. FHA safety and soundness review.
- Sec. 16. FHA disclosure standards.
- Sec. 17. Report on streamlining FHA programs.

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

2 (a) IN GENERAL.—Subparagraph (B) of section
3 203(c)(2) of the National Housing Act (12 U.S.C.
4 1709(c)(2)(B)) is amended—

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

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

8 (B) by striking “not exceeding 1.5 per-
9 cent” and inserting “not less than 0.55 per-
10 cent”; and

11 (C) by inserting “and not exceeding 2.0
12 percent of such remaining insured principal bal-
13 ance” before “for the following periods.”; and

14 (2) in clause (ii), by striking “1.55 percent”
15 and inserting “2.05 percent”.

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

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

21 Section 202 of the National Housing Act (12 U.S.C.
22 1708) is amended by adding at the end the following new
23 subsection:

24 “(i) INDEMNIFICATION BY MORTGAGEES.—

25 “(1) IN GENERAL.—If the Secretary determines
26 that the mortgagee knew, or should have known, of

1 a serious or material violation of the requirements
2 established by the Secretary with respect to a mort-
3 gage executed by a mortgagee approved by the Sec-
4 retary under the direct endorsement program or in-
5 sured by a mortgagee pursuant to the delegation of
6 authority under section 256 such that the mortgage
7 loan should not have been approved and endorsed by
8 the mortgagee, and the Secretary pays an insurance
9 claim with respect to the mortgage within a reason-
10 able period specified by the Secretary, the Secretary
11 may require the mortgagee approved by the Sec-
12 retary under the direct endorsement program or the
13 mortgagee delegated authority under section 256 to
14 indemnify the Secretary for the loss, irrespective of
15 whether the violation caused the mortgage default.

16 “(2) FRAUD OR MISREPRESENTATION.—If
17 fraud or misrepresentation was involved in connec-
18 tion with the origination or underwriting and the
19 Secretary determines that the mortgagee knew or
20 should have known of the fraud or misrepresenta-
21 tion, the Secretary shall require the mortgagee ap-
22 proved by the Secretary under the direct endorse-
23 ment program or the mortgagee delegated authority
24 under section 256 to indemnify the Secretary for the
25 loss regardless of when an insurance claim is paid.

1 “(3) APPEALS PROCESS.—The Secretary shall,
2 by regulation, establish an appeals process for mort-
3 gagees to appeal indemnification determinations
4 made pursuant to paragraph (1) or (2).

5 “(4) REQUIREMENTS AND PROCEDURES.—The
6 Secretary shall issue regulations establishing appro-
7 priate requirements and procedures governing the
8 indemnification of the Secretary by the mortgagee,
9 including public reporting on—

10 “(A) the number of loans that—

11 “(i) were not originated or under-
12 written in accordance with the require-
13 ments established by the Secretary; and

14 “(ii) involved fraud or misrepresenta-
15 tion in connection with the origination or
16 underwriting; and

17 “(B) the financial impact on the Mutual
18 Mortgage Insurance Fund when indemnification
19 is required.”.

20 **SEC. 4. EARLY PERIOD DELINQUENCIES.**

21 Subsection (a) of section 202 of the National Hous-
22 ing Act (12 U.S.C. 1708(a)) is amended by adding at the
23 end the following new paragraphs:

1 “(8) PROGRAMMATIC REVIEW OF EARLY PE-
2 RIOD DELINQUENCIES.—The Secretary shall estab-
3 lish and maintain a program—

4 “(A) to review the cause of each early pe-
5 riod delinquency on a mortgage that is an obli-
6 gation of the Mutual Mortgage Insurance Fund;

7 “(B) to require indemnification of the Sec-
8 retary for a loss associated with any such early
9 period delinquency that is the result of a mate-
10 rial violation, as determined by the Secretary,
11 of any provision, regulation, or other guideline
12 established or promulgated pursuant to this
13 title; and

14 “(C) to publicly report—

15 “(i) a summary of the results of all
16 early period delinquencies reviewed under
17 subparagraph (A);

18 “(ii) any indemnifications required
19 under subparagraph (B); and

20 “(iii) the financial impact on the Mu-
21 tual Mortgage Insurance Fund of any such
22 indemnifications.

23 “(9) DEFINITION OF EARLY PERIOD DELIN-
24 QUENCY.—For purposes of this section, the term
25 ‘early period delinquency’ means, with respect to a

1 mortgage, that the mortgage becomes 90 or more
2 days delinquent within 24 months of the origination
3 of such mortgage.”.

4 **SEC. 5. SEMIANNUAL ACTUARIAL STUDIES OF MMIF DUR-**
5 **ING PERIODS OF CAPITAL DEPLETION.**

6 (a) IN GENERAL.—Paragraph (4) of section 202(a)
7 of the National Housing Act (12 U.S.C. 1708(a)(4)) is
8 amended—

9 (1) in the first sentence, by inserting “except as
10 provided in subparagraph (B),” after “to be con-
11 ducted annually,”;

12 (2) in the second sentence, by inserting “, ex-
13 cept as provided in subparagraph (B),” after “annu-
14 ally”;

15 (3) by striking the paragraph designation and
16 heading and all that follows through “The Secretary
17 shall provide” and inserting the following:

18 “(4) INDEPENDENT ACTUARIAL STUDY.—

19 “(A) ANNUAL STUDY.—The Secretary
20 shall provide”; and

21 (4) by adding at the end the following new sub-
22 paragraph:

23 “(B) SEMIANNUAL STUDIES DURING PERI-
24 ODS OF CAPITAL DEPLETION.—During any pe-
25 riod that the Fund fails to maintain sufficient

1 capital to comply with the capital ratio require-
2 ment under section 205(f)(2)—

3 “(i) the independent study required by
4 subparagraph (A) shall be conducted semi-
5 annually and shall analyze the financial po-
6 sition of the Fund as of September 30 and
7 March 31 of each fiscal year during such
8 period; and

9 “(ii) the Secretary shall submit a re-
10 port meeting the requirements of subpara-
11 graph (A) for each such semiannual
12 study.”.

13 (b) ANALYSIS OF QUARTERLY ACTUARIAL STUD-
14 IES.—The Secretary of Housing and Urban Development
15 shall conduct an analysis of the cost and feasibility of pro-
16 viding for an independent actuarial study of the Mutual
17 Mortgage Insurance Fund on a calendar quarterly basis,
18 which shall compare the cost and feasibility of conducting
19 such a study on a quarterly basis as compared to a semi-
20 annual basis and shall determine whether such an actu-
21 arial study can be conducted on a quarterly basis without
22 substantial additional costs to the taxpayers. Not later
23 than the expiration of the 90-day period beginning on the
24 date of the enactment of this Act, the Secretary shall sub-
25 mit a report to the Congress setting forth the findings and

1 conclusion of the analysis conducted pursuant to this sub-
2 section.

3 **SEC. 6. DELEGATION OF FHA INSURING AUTHORITY.**

4 Section 256 of the National Housing Act (12 U.S.C.
5 1715z-21) is amended—

6 (1) by striking subsection (e);

7 (2) in subsection (e), by striking “, including”
8 and all that follows through “by the mortgagee”;
9 and

10 (3) by redesignating subsections (d) and (e) as
11 subsections (c) and (d), respectively.

12 **SEC. 7. AUTHORITY TO TERMINATE FHA MORTGAGEE**
13 **ORIGINATION AND UNDERWRITING AP-**
14 **PROVAL.**

15 Section 533 of the National Housing Act (12 U.S.C.
16 1735f-11) is amended—

17 (1) in the first sentence of subsection (b), by in-
18 serting “or areas or on a nationwide basis” after
19 “area” each place such term appears; and

20 (2) in subsection (c), by striking “(c)” and all
21 that follows through “The Secretary” in the first
22 sentence of paragraph (2) and inserting the fol-
23 lowing:

24 “(c) **TERMINATION OF MORTGAGEE ORIGINATION**
25 **AND UNDERWRITING APPROVAL.—**

1 “(1) **TERMINATION AUTHORITY.**—If the Sec-
2 retary determines, under the comparison provided in
3 subsection (b), that a mortgagee has a rate of early
4 defaults and claims that is excessive, the Secretary
5 may terminate the approval of the mortgagee to
6 originate or underwrite single family mortgages for
7 any area, or areas, or on a nationwide basis, not-
8 withstanding section 202(c) of this Act.

9 “(2) **PROCEDURE.**—The Secretary”.

10 **SEC. 8. AUTHORIZATION TO PARTICIPATE IN THE ORIGINA-**
11 **TION OF FHA-INSURED LOANS.**

12 (a) **SINGLE FAMILY MORTGAGES.**—Section 203(b) of
13 the National Housing Act (12 U.S.C. 1709(b)) is amended
14 by striking paragraph (1) and inserting the following new
15 paragraph:

16 “(1) Have been made to a mortgagee approved
17 by the Secretary or to a person or entity authorized
18 by the Secretary under section 202(d)(1) to partici-
19 pate in the origination of the mortgage, and be held
20 by a mortgagee approved by the Secretary as re-
21 sponsible and able to service the mortgage prop-
22 erly.”.

23 (b) **HOME EQUITY CONVERSION MORTGAGES.**—Sec-
24 tion 255(d) of the National Housing Act (12 U.S.C.

1 1715z–20(d)) is amended by striking paragraph (1) and
2 inserting the following new paragraph:

3 “(1) have been originated by a mortgagee ap-
4 proved by, or by a person or entity authorized under
5 section 202(d)(1) to participate in the origination
6 by, the Secretary;”.

7 **SEC. 9. REPORTING OF MORTGAGEE ACTIONS TAKEN**
8 **AGAINST OTHER MORTGAGEES.**

9 Section 202 of the National Housing Act (12 U.S.C.
10 1708(e)), as amended by the preceding provisions of this
11 Act, is further amended by adding at the end the following
12 new subsection:

13 “(j) NOTIFICATION OF MORTGAGEE ACTIONS.—The
14 Secretary shall require each mortgagee, as a condition for
15 approval by the Secretary to originate or underwrite mort-
16 gages on single family or multifamily housing that are in-
17 sured by the Secretary, if such mortgagee engages in the
18 purchase of mortgages insured by the Secretary and origi-
19 nated by other mortgagees or in the purchase of the serv-
20 icing rights to such mortgages, and such mortgagee at any
21 time takes action to terminate or discontinue such pur-
22 chases from another mortgagee based on any determina-
23 tion or evidence of fraud or material misrepresentation in
24 connection with the origination of such mortgages, to no-
25 tify the Secretary of the action taken and the reasons for

1 such action not later than 15 days after taking such ac-
2 tion.”.

3 **SEC. 10. DEFAULT AND ORIGINATION INFORMATION BY**
4 **LOAN SERVICER AND ORIGINATING DIRECT**
5 **ENDORSEMENT LENDER.**

6 (a) COLLECTION OF INFORMATION.—Paragraph (2)
7 of section 540(b) of the National Housing Act (12 U.S.C.
8 1712 U.S.C. 1735f–18(b)(2)) is amended by adding at the
9 end the following new subparagraph:

10 “(C) For each entity that services insured
11 mortgages, data on the number of claims paid
12 to each servicing mortgagee during each cal-
13 endar quarter occurring during the applicable
14 collection period.”.

15 (b) APPLICABILITY.—Information described in sub-
16 paragraph (C) of section 540(b)(2) of the National Hous-
17 ing Act, as added by subsection (a) of this section, shall
18 first be made available under such section 540 for the ap-
19 plicable collection period (as such term is defined in such
20 section) relating to the first calendar quarter ending after
21 the expiration of the 12-month period that begins on the
22 date of the enactment of this Act.

1 **SEC. 11. DEPUTY ASSISTANT SECRETARY OF FHA FOR RISK**
2 **MANAGEMENT AND REGULATORY AFFAIRS.**

3 (a) ESTABLISHMENT OF POSITION.—Subsection (b)
4 of section 4 of the Department of Housing and Urban De-
5 velopment Act (42 U.S.C. 3533(b)) is amended—

6 (1) by inserting “(1)” after “(b)”; and

7 (2) by adding at the end the following new
8 paragraph:

9 “(2) There shall be in the Department, within the
10 Federal Housing Administration, a Deputy Assistant Sec-
11 retary for Risk Management and Regulatory Affairs, who
12 shall be appointed by the Secretary and shall be respon-
13 sible to the Federal Housing Commissioner for all matters
14 relating to managing and mitigating risk to the mortgage
15 insurance funds of the Department and ensuring the per-
16 formance of mortgages insured by the Department.”.

17 (b) TERMINATION.—Upon the appointment of the
18 initial Deputy Assistant Secretary for Risk Management
19 and Regulatory Affairs pursuant to section 4(b)(2) of the
20 Department of Housing and Urban Development Act, as
21 amended by subsection (a) of this section, the position of
22 chief risk officer within the Federal Housing Administra-
23 tion, filled by appointment by the Federal Housing Com-
24 missioner, is abolished.

1 **SEC. 12. ESTABLISHMENT OF CHIEF RISK OFFICER FOR**
2 **GNMA.**

3 Section 4 of the Department of Housing and Urban
4 Development Act (42 U.S.C. 3533) is amended by adding
5 after subsection (g), as added by section 1442 of the
6 Dodd-Frank Wall Street Reform and Consumer Protec-
7 tion Act (Public Law 111–203; 124 Stat. 2163), the fol-
8 lowing new subsection:

9 “(h) There shall be in the Department a Chief Risk
10 Officer for the Government National Mortgage Associa-
11 tion, who shall—

12 “(1) be designated by the Secretary;

13 “(2) be responsible to the President of the As-
14 sociation for all matters related to evaluating, man-
15 aging, and mitigating risk to the programs of the
16 Association;

17 “(3) be in the competitive service or the senior
18 executive service;

19 “(4) be a career appointee;

20 “(5) be designated from among individuals who
21 possess demonstrated ability in general management
22 of, and knowledge of and extensive practical experi-
23 ence in risk evaluation practices in large govern-
24 mental or business entities;

25 “(6) shall not be required to obtain the prior
26 approval, comment, or review of any officer or agen-

1 cy of the United States before submitting to the
2 Congress, or any committee or subcommittee there-
3 of, any reports, recommendations, testimony, or
4 comments if such submission include a statement in-
5 dicating that the views expressed therein are those
6 of the Chief Risk Officer of the Association and do
7 not necessarily represent the views of the Sec-
8 retary.”.

9 **SEC. 13. REPORT ON MORTGAGE SERVICERS.**

10 (a) EXAMINATION.—The Secretary of Housing and
11 Urban Development shall conduct an examination into
12 mortgage servicer compliance with the loan servicing, loss
13 mitigation, and insurance claim submission guidelines of
14 the FHA mortgage insurance programs under the Na-
15 tional Housing Act (12 U.S.C. 1701 et seq.), and an esti-
16 mate of the annual costs to the Mutual Mortgage Insur-
17 ance Fund, since 2008, resulting from any failures by
18 mortgage servicers to comply with such guidelines.

19 (b) REPORT.—Not later than the expiration of the
20 120-day period that begins upon the date of the enactment
21 of this Act, the Secretary shall submit a report to the Con-
22 gress on the results of the examination conducted pursu-
23 ant to subsection (a), including recommendations for any
24 administrative and legislative actions to improve mortgage

1 servicer compliance with the guidelines referred to in sub-
2 section (a).

3 **SEC. 14. FHA EMERGENCY CAPITAL PLAN.**

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

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

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

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

21 (3) describe the procedure by which, if nec-
22 essary, any amounts from the Treasury needed to
23 meet obligations of the Fund will be obtained from
24 the Treasury.

25 (c) MONTHLY REPORTS.—

1 (1) REPORTS.—Subject to paragraph (3), upon
2 the conclusion of each calendar month ending after
3 the 14-day period that begins on the date of the en-
4 actment of this Act, the Secretary of Housing and
5 Urban Development shall submit to the Congress a
6 report assessing the financial status of the Fund at
7 the conclusion of such month, setting forth the cap-
8 ital ratio (as such term is defined in section
9 205(f)(3) of the National Housing Act (12 U.S.C.
10 1711(f)(3))) of the Fund at the conclusion of such
11 month, and describing any actions taken during such
12 month to help ensure the financial soundness of the
13 Fund and compliance with section 205(f) of the Na-
14 tional Housing Act (relating to a capital ratio re-
15 quirement of 2.0 percent).

16 (2) TERMINATION OF REPORTING REQUIRE-
17 MENT.—The requirement to submit reports under
18 paragraph (1) shall terminate on the first date after
19 the date of the enactment of this Act that the Fund
20 attains a capital ratio (as such term is defined in
21 section 205(f)(3) of the National Housing Act) of
22 2.0 percent.

23 **SEC. 15. FHA SAFETY AND SOUNDNESS REVIEW.**

24 (a) REVIEW.—The Comptroller General of the United
25 States shall provide for an independent third party to—

1 (1) conduct a one-time review of the mortgage
2 insurance programs and funds of the Secretary of
3 Housing and Urban Development that shall deter-
4 mine, as of the time of such review—

5 (A) the financial safety and soundness of
6 such programs and funds; and

7 (B) the extent of loan loss reserves and
8 capital adequacy of such programs and funds;
9 and

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

11 Such review shall be conducted in accordance with gen-
12 erally accepted accounting principles applicable to the pri-
13 vate sector.

14 (b) REPORT.—The report under this subsection shall
15 describe the methodology and standards used to conduct
16 the review under subsection (a)(1), set forth the results
17 and findings of the review, including the extent of loan
18 loss reserves and capital adequacy of the mortgage insur-
19 ance programs and funds of the Secretary of Housing and
20 Urban Development, and include recommendations re-
21 garding restoring such reserves and capital to maintain
22 such programs and funds in a safe and sound condition.

23 (c) TIMING.—The review required under subsection
24 (a) shall be completed, and the report required under sub-
25 section (b) shall be submitted, not later than the expira-

1 tion of the 60-day period beginning on the date of the en-
2 actment of this Act.

3 (d) **RULE OF CONSTRUCTION.**—Nothing in this sec-
4 tion may be construed to alter or affect, or exempt the
5 Secretary of Housing and Urban Development from com-
6 plying with, any laws, regulations, or guidance relating to
7 preparation or submission of budgets or audits or financial
8 or management statements or reports.

9 **SEC. 16. FHA DISCLOSURE STANDARDS.**

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

22 (1) provide meaningful financial and other in-
23 formation that is timely, comprehensive, and accu-
24 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. 17. REPORT ON STREAMLINING FHA PROGRAMS.**

7 (a) EXAMINATION.—The Secretary of Housing and
8 Urban Development shall conduct an examination of the
9 mortgage insurance and any other programs of the Fed-
10 eral Housing Administration to identify—

11 (1) the level of use and need for such programs;

12 (2) any such programs that are unused or
13 underused; and

14 (3) methods for streamlining, consolidating,
15 simplifying, increasing the efficiency of, and reduc-
16 ing the number of such programs.

17 (b) REPORT.—Not later than the expiration of the
18 12-month period that begins upon the date of the enact-
19 ment of this Act, the Secretary shall submit a report to
20 the Congress on the results of the examination conducted
21 pursuant to subsection (a), including recommendations for
22 any administrative and legislative actions to streamline,
23 consolidate, simplify, increase the efficiency of, and reduce
24 the number of such programs.

