To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2019

Ms. KAPTUR (for herself, Mr. CLAY, Mrs. AXNE, and Ms. JAYAPAL) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, and for other purposes.

Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE.

This Act may be cited as the “Transforming Student Debt to Home Equity Act of 2019”.

SEC. 2. FINDINGS.

Congress finds the following:

(1) In the first quarter of 2019, over 16,800,000 homes remain vacant in the United States.

(2) These extended vacancies depress neighborhood property values and create a downward spiral in neighborhood stability in already troubled communities.

(3) Meanwhile, due to climbing expenses of higher education, the total Federal student debt owed equals $1,560,000,000,000.

(4) More than 44,700,000 Americans have at least one outstanding student loan, up dramatically from 37,000,000 Americans just 7 years ago.

(5) Student loan repayments are forcing millions of young families out of purchasing their first home, as they cannot afford to save for a down payment or qualify for a mortgage.

(6) Data from the United States Census Bureau shows that non-Hispanic White households have an average net worth of $130,800, while Black households have an average net worth of $9,590 and
Hispanic households have $17,530; providing innovative financial products will allow the United States to close the racial wealth gap and to ensure equitable access to housing and economic mobility.

(7) According to a report from Pew Research Center, the median income of African-American households decreased by 53 percent between 2008 and 2013. In the same time period, the income gap between White households and African-American households widened; increasing from 13 times greater to 17 times greater.

(8) It is imperative to create a demonstration program to design financial pathways to, where possible, to systematically convert some student debt streams into equity streams through negotiation of mortgages; otherwise housing purchases will continue to be sluggish among first time home-buyers and thousands more Americans will enter their mid-years saddled with student loan debt never having had the opportunity to accumulate equity.

(9) It is in the interest of the Federal Government to use the resources at its disposal, including both housing properties held in trust and student debt obligations, to put reverse pressure on these downward trends.
(10) By arranging financing that recalculates terms, debt-to-income ratios, mortgage interest rates, and other factors, short-term student debt could transition into longer term home ownership.

(11) The goal is to connect creditworthy Federal student debt holders with housing properties for sale and held by the Federal Government and local land banks.

(12) Over time, participants can help restore neighborhoods, transform their debt to equity, and stabilize secured property values locally and on the Federal ledger by maintaining and investing in a home mortgage.

SEC. 3. PROGRAM TO EXPAND ACCESS TO MORTGAGES TO ELIGIBLE CREDITWORTHY HOEMBUYERS WITH FEDERAL STUDENT LOAN DEBT.

(a) ESTABLISHMENT.—From amounts appropriated pursuant to subsection (g), the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency shall establish and carry out a pilot demonstration program to—

(1) provide assistance to eligible applicants in purchasing eligible properties; and

(2) subsequently analyze the results of the provision of such assistance.
(b) CONSULTATION.—In establishing and carrying out the program pursuant to subsection (a), the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency shall consult with—

(1) the Director of the Consumer Financial Protection Bureau;

(2) the Secretary of Agriculture;

(3) the Secretary of Veteran Affairs;

(4) the Secretary of Education; and

(5) the Secretary of the Treasury.

(c) ELIGIBLE APPLICANTS.—To be eligible for the program established pursuant to subsection (a), an applicant—

(1) shall have an outstanding balance of principal or interest owing on a Federal loan made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.);

(2) may not be subject to a judgment secured through litigation with respect to such a loan under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), may not be subject to an order for wage garnishment under section 488A of such Act (20 U.S.C. 1095a), and at the time of applica-
tion for participation in the program under this sec-

(A) such a loan shall be in repayment sta-
tus as determined under section 428(b)(7)(A)
of such Act (20 U.S.C. 1078(b)(7)(A)); or
(B) such a loan shall be in a grace period
preceding repayment;
(3) may not have owned a home during the 3-
year period immediately before the applicant pur-
chases an eligible property with assistance provided
under this section;
(4) shall complete a program of counseling with
respect to the responsibilities and financial manage-
ment involved in homeownership that is approved by
the Secretary;
(5) shall be creditworthy, as determined by the
Secretary and the Director;
(6) shall agree to use an eligible property pur-
chased with assistance provided under this section as
the applicant’s primary residence for not less than
the 3-year period beginning on the date of such pur-
chase; and
(7) shall be employed and earning sufficient in-
come to repay a mortgage loan, as determined by
the Secretary and the Director for the purposes of this program.

(d) TYPES OF ASSISTANCE.—

(1) IN GENERAL.—A program established under this section may provide for any one or more of the following options:

(A) A discount on the appraised value of an eligible property.

(B) Flexibility in underwriting standards related to the purchase of eligible properties for mortgages insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.) or owned or guaranteed by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

(C) The development of new mortgage products specifically targeted to eligible applicants.

(D) Any other assistance that the Secretary and Director jointly deem appropriate.

(2) REPAYMENT INTEGRATION.—A program established under this section shall provide for the development of a program that will use actuarial information to determine how the repayment of loans described in subsection (c)(1) may be integrated into
a mortgage repayment schedule to allow an eligible applicant to accumulate equity in the eligible property, including by reason of meeting the eligible applicant’s obligations under such student loan.

(3) COLLABORATION.—In providing assistance described under paragraph (1), the Secretary and the Director may collaborate with—

(A) community banks having less than $10,000,000,000 in total assets;

(B) credit unions (as defined in section 101 of the Federal Credit Union Act);

(C) and local fair housing organizations;

and

(D) local land banks.

(e) GEOGRAPHICAL DIVERSITY.—In selecting eligible applicants to receive assistance under this section, the Secretary and the Director shall, to the extent practicable, consider the location of the eligible property to be purchased by the eligible applicant, including whether the eligible property is located in a rural or urban area, to ensure geographic diversity of such eligible properties.

(f) REPORTS.—

(1) INTERIM REPORT.—Not later than 90 days after the date of the enactment of this section, the Secretary and the Director shall submit to Congress
an interim report describing the type of assistance
the Secretary and the Director shall provide under
the program established under this section.

(2) Final report.—Not later than 3 years
after the date of the enactment of this section, the
Secretary and the Director shall submit to Congress
a final report that—

(A) evaluates the impact of the program
carried out under this section and describes any
findings;

(B) identifies other types of assistance the
Secretary and the Director may offer; and

(C) includes any recommendations the Sec-
retary and Director may have for improving the
program.

(g) Definitions.—In this section:

(1) Director.—The term “Director” means
the Director of the Federal Housing Finance Agen-
cy.

(2) Secretary.—The term “Secretary” means
the Secretary of the Department of Housing and
Urban Development.

(3) Eligible property.—The term “eligible
property” means a property that is designed as a
dwelling for occupancy by 1 to 4 families—
(A) that is safe and habitable, as defined by the Secretary and the Director;

(B) for which, as determined by the Secretary and the Director, the occupancy of which will promote community revitalization; and

(C) that—

(i) was previously subject to a mortgage loan insured by the Federal Housing Administration under title II of the National Housing Act (12 U.S.C. 1707 et seq.) and is owned by the Secretary pursuant to the payment of insurance benefits under such Act;

(ii) is a real estate owned property of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; or

(iii) is owned by a local land bank.

(4) LOCAL LAND BANK.—The term “local land bank” means—

(A) a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neigh-
borhoods and encouraging re-use or redevelopment of urban property; or

(B) such other governmental or nongovernmental entity as the Secretary and the Director may determine appropriate.

(h) **Authorization of Appropriations.**—There are authorized to be appropriated such sums as necessary to carry out this section for fiscal years 2021, 2022, and 2023.