

TITLE IV OF H.R. 3221 – HOPE FOR HOMEOWNERS PROGRAM (HOUSE-PASSED JULY 24, 2008)	
Oversight Board/ Administration of Program	<p>Sec. 257(c) – Establishes a Board to develop requirements, standards, regulations, and guidance to carry out the purposes of the Program. The Board would be composed of the Secretary of HUD, the Secretary of the Treasury, the Chairperson of the Board of Governors of the Federal Reserve Board, and the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation, or their designees.</p> <p>Sec. 257(t) – establishes compensation, travel, staff, and consulting requirements for the Board.</p> <p>Sec. 257(v) – Except as otherwise provided in section 257 or by action of the Board, the provisions and requirements of section 203(b) of the National Housing Act apply.</p>
Requirements of Insured Mortgages under new Section 257 of the National Housing Act	<p>Sec. 257(e) – All of the following requirements must be met:</p> <ul style="list-style-type: none"> • Lack of capacity to pay existing mortgage: borrowers certify that they have not intentionally defaulted on the eligible mortgage or on any other debt (false statement = fine and/or 5 years in prison); mortgagor agrees in writing that the mortgagor shall be liable to repay the FHA any direct financial benefit received as a result of misrepresentations made in the certifications and documentation requirements. DTI ratio > 31% as of 03/01/2008 (or such higher amount as the Board may determine). • Required waiver of all prepayment penalties and fees. • Principal obligation amount to be insured not to exceed 90% of the appraised value of the property, and must be determined by the reasonable ability of the borrower to make the mortgage payments as determined by the Secretary or by any other underwriting standards established by the Board. • Extinguishment of all subordinate liens on the property. All holders of the outstanding mortgage agree to accept the proceeds of the insured loan as payment in full, and all encumbrances are removed. The Board may establish standards for, and the Secretary may take action, as may be necessary and appropriate to facilitate coordination and agreement between holders of the existing senior and subordinate mortgage. Also, permits second lien holders to share in FHA’s portion of shared appreciation in the property secured by the eligible mortgage, pursuant to policies and standards established by the Board.

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Requirements (cont.)	<ul style="list-style-type: none"> • Prohibition on second liens: borrowers are prohibited from taking out new second liens on the property for the first five years of the mortgage, except as the Board determines to be necessary to ensure the maintenance of property standards; and provided that such new outstanding liens (A) do not reduce the value of the Government's equity in the borrower's home; and (B) when combined with the mortgagor's existing indebtedness, do not exceed 95% of the home's appraised value at the time of the new second lien. • Equity and Appreciation (Sec. 257(k)) – requires borrowers to share equity and any future appreciation in the value of the property with the Federal Government through the following: (1) the Secretary and borrower share equity created from any sale or disposition or subsequent refinancing according to a 5-year phase-in schedule; (2) upon sale or disposition of the property, any appreciation in the value of the property must be shared equally between the Secretary and the borrower. • Documentation and verification of income required through income tax return transcript or copy of tax returns. • Term of mortgage: 30-year, fixed-rate. • Maximum loan limit = 132% of the dollar amount limitation in effect for 2007 under the FHLMC Act. • The mortgagor shall not have been convicted under any provision of Federal or State law for fraud during the 10-year period ending upon the insurance of the mortgage under this section. • Primary residence: the mortgagor shall provide documentation satisfactory to prove that the residence covered by the mortgage is occupied by the mortgagor as the primary residence, and that such residence is the only residence in which the mortgagor has a present ownership interest. • Appraisals must be based on the current value of the property and meet standard appraiser requirements.
Auction for Bulk Refinancings	<p>Sec. 257(f) – Requires the Board to conduct a study of the need for an efficacy of an auction or bulk refinancing mechanism to facilitate the refinancing of existing residential mortgages that are at risk for foreclosure into mortgages insured under the mortgage insurance program under this section [section 257 of the NHA].</p>

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Mortgage Insurance Premiums	<p>Sec. 257(i) – Requires the Secretary to collect the following premiums for each refinanced mortgage:</p> <ul style="list-style-type: none"> • 3% upfront premium on the insured principal obligation to be paid from the proceeds of the mortgage insured. • 1.5% annual premium on the remaining insured principal balance of the mortgage. <p>Uses the equity and appreciation sharing formula in section 257(k) for recovery to the Federal Government. Also, the 3% upfront premium shall be paid from the proceeds of the mortgage being insured, through the reduction of the amount of indebtedness that existed prior to refinancing.</p>
Origination Fees and Mortgage Rate	<p>Sec. 257(j) – Requires the Secretary to implement a reasonable limitation on origination fees for mortgages insured under this section, and establish procedures to ensure that interest rates on such mortgages are commensurate with market rate interest rates on such loans.</p>
Appraisal Independence	<p>Sec. 257(g) – Prohibits interested parties from improperly influencing a real estate appraisal sought in connection with the mortgage.</p> <p>The Secretary may impose a civil money penalty for any knowing and material violation of the prohibition on improper influence.</p>
Limitation on Aggregate Insurance Authority	<p>Sec. 257(m) – not to exceed \$300 billion.</p>
Enhancement of FHA Capacity	<p>Sec. 257(p) – Under the direction of the Oversight Board, the Secretary shall take such actions to: (1) contract for the establishment of underwriting criteria, automated underwriting systems, pricing standards, and other factors relating to eligibility of mortgages insured under this section; (2) contract for independent quality reviews of underwriting; and (3) increase personnel of the Department as necessary to process or monitor the processing of these mortgages.</p>
Monitoring of Underwriting Risk/ Reporting Requirements	<p>Sec. 257(h) – Protects against adverse selection by requiring the underwriter of the insured loan to provide representations and warranties to enforce compliance with the standards of the Program. The Board shall prohibit the Secretary from paying insurance benefits to a mortgagee who violates the representations and warranties, or in any case in which the mortgagor fails to make the first payment on a refinanced eligible mortgage.</p>

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Ginnie Mae Commitment Authority	Sec. 257(q) – Requires the Secretary to ensure that securities based on mortgages insured under this section are available to be guaranteed by Ginnie Mae, and authorizes Ginnie Mae to enter into new commitments to issue guarantees of securities based on the insured mortgages, not to exceed \$300 billion.
Insurance Fund	Sec. 257(l) – Establishes the HOPE Fund within FHA to be used by the Board for carrying out the mortgage insurance obligations of the HOPE for Homeowners Program. The HOPE Fund shall be administered and managed by the Secretary, who is required to establish criteria for the management of the HOPE Fund.
Outreach Efforts	Sec. 257(o) – Requires the Secretary to conduct outreach efforts to ensure public awareness of the assistance opportunities available under the Program.
Reporting Requirements	Sec. 257(n) – Requires the Board to submit monthly reports to Congress identifying the progress of the HOPE for Homeowners Program, including the number of new mortgages insured under this section, and the aggregate principal obligation of new mortgages insured under this section.
Authorization of Appropriations	<p>Sec. 257(w) – HOPE Bonds: The Secretary of the Treasury shall: issue Federal credit instruments (“HOPE Bonds”) callable at the option of the Treasury Secretary and not to exceed \$300 billion; provide the subsidy amounts necessary for loan guarantees under the HOPE Program; and use the proceeds from the HOPE Bonds to pay for the net costs of the HOPE Program, including administrative costs.</p> <p>Funds received from the GSE housing trust fund would be used to reimburse the Secretary of the Treasury. Amounts collected in excess of the net cost would be used to reduce the National debt.</p>
Definitions	<p>Sec. 257(s) – the following terms are defined:</p> <ul style="list-style-type: none"> • Approved financial institution • Board • Eligible mortgage • Existing senior mortgage • Existing subordinate mortgage • HOPE for Homeowners program • Secretary

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Sunset	Sec. 257(r) – no new commitments to insure may be made before October 1, 2008, or after September 30, 2011.