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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R. _____

To amend the Federal Home Loan Mortgage Corporation Act and the Federal National Mortgage Association Charter Act to specify requirements with respect to the ownership of certain mortgage assets for the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. FITZGERALD introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Federal Home Loan Mortgage Corporation Act and the Federal National Mortgage Association Charter Act to specify requirements with respect to the ownership of certain mortgage assets for the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Sustainable Homeown-
3 ership Act”.

4 **SEC. 2. REQUIREMENTS OF OWNERSHIP OF CERTAIN**
5 **MORTGAGE ASSETS.**

6 (a) FREDDIE MAC.—

7 (1) MORTGAGE OPERATIONS.—Section 305 of
8 the Federal Home Loan Mortgage Corporation Act
9 (12 U.S.C. 1454) is amended—

10 (A) in subsection (a)(2)—

11 (i) by striking “No conventional” and
12 inserting the following: “LIMITS ON PUR-
13 CHASES OF HIGH LOAN-TO-VALUE MORT-
14 GAGES—

15 “(A) IN GENERAL.—No conventional”;

16 (ii) in subparagraph (A), as amended
17 by clause (i)—

18 (I) by striking “value of” and in-
19 serting “lesser of appraised value or
20 purchase price of”;

21 (II) by striking “not less than 10
22 per centum in the mortgage” and in-
23 serting “not less than the same per-
24 centage of the first-loss portion of the
25 unpaid principal balance of the mort-
26 gage that is required to be insured or

1 guaranteed as described in subsection
2 (e)(1)”;

3 (III) by striking “for such period
4 and”;

5 (IV) by inserting “not later than
6 120 days after the default of such
7 mortgage” after “is in default”; and

8 (V) by striking “as determined
9 by the Corporation” and inserting “,
10 subject to the coverage and the quali-
11 fied insurer requirements described in
12 subsection (e)”; and

13 (iii) by adding at the end the fol-
14 lowing:

15 “(B) EXCEPTION FOR REFINANCING.—
16 Notwithstanding the first sentence of subpara-
17 graph (A), the Corporation may purchase a
18 conventional mortgage with an outstanding
19 principal balance exceeding 97 percent of the
20 value of the property securing the mortgage if
21 the Corporation or the Federal National Mort-
22 gage Association, during the 30 day period be-
23 fore the origination of such mortgage, replaced
24 a mortgage with the same borrower secured by

1 the same property and the new conventional
2 mortgage—

3 “(i) reduces payment amounts for the
4 borrower;

5 “(ii) shortens the amortization term
6 of the mortgage; or

7 “(iii) replaces variable rate mortgage
8 with fixed rate mortgage for a minimum of
9 a 60 month term.”; and

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

11 “(e) INSURANCE OR GUARANTEE ON UNPAID PRIN-
12 CIPAL BALANCE OF A MORTGAGE.—

13 “(1) REQUIREMENTS.—

14 “(A) IN GENERAL.—With respect to the
15 insurance or guarantee on the portion of the
16 unpaid principal balance at the time of pur-
17 chase of a mortgage which is in excess of 80
18 percent of the value of the property securing
19 the mortgage that is required under subsection
20 (a)(2)(A), the following requirements apply:

21 “(i) For a mortgage with an unpaid
22 principal balance that is equal to an
23 amount that is above 80 percent and not
24 more than 85 percent of the value of the
25 property—

1 “(I) an amount that is not less
2 than 12 percent of the portion of the
3 unpaid principal balance of the mort-
4 gage shall be guaranteed or insured
5 by a qualified insurer; or

6 “(II) if the mortgage is a fixed-
7 rate mortgage with a fully amortizing
8 term of less than or equal to 20 years,
9 an amount that is not less than 6 per-
10 cent of the portion of the unpaid prin-
11 cipal balance of the mortgage shall be
12 guaranteed or insured by a qualified
13 insurer.

14 “(ii) For a mortgage with an unpaid
15 principal balance that is equal to an
16 amount that is above 85 percent and not
17 more than 90 percent of the value of the
18 property—

19 “(I) an amount that is not less
20 than 25 percent of the portion of the
21 unpaid principal balance of the mort-
22 gage shall be guaranteed or insured
23 by a qualified insurer; or

24 “(II) if the mortgage is a fixed-
25 rate mortgage with a fully amortizing

1 term of less than or equal to 20 years,
2 an amount that is not less than 12
3 percent the portion of the unpaid
4 principal balance of the mortgage
5 shall be guaranteed or insured by a
6 qualified insurer.

7 “(iii) For a mortgage with an unpaid
8 principal balance that is equal to an
9 amount that is above 90 percent and not
10 more than 95 percent of the value of the
11 property—

12 “(I) an amount that is not less
13 than 30 percent the portion of the un-
14 paid principal balance of the mortgage
15 shall be guaranteed or insured by a
16 qualified insurer; or

17 “(II) if the mortgage is a fixed-
18 rate mortgage with a fully amortizing
19 term of less than or equal to 20 years,
20 an amount that is not less than 25
21 percent the portion of the unpaid
22 principal balance of the mortgage
23 shall be guaranteed or insured by a
24 qualified insurer.

1 “(iv) For a mortgage with an unpaid
2 principal balance that is equal to an
3 amount that is above 95 percent and not
4 more than 97 percent of the value of the
5 property, an amount that is not less than
6 35 percent of the portion of the unpaid
7 principal balance of the mortgage shall be
8 guaranteed or insured by a qualified in-
9 surer.

10 “(B) EXCEPTIONS.—

11 “(i) STATE AGENCIES AND CERTAIN
12 MORTGAGE PROGRAMS.—With respect to a
13 seller that is a State or political subdivi-
14 sion thereof, for mortgages purchased on
15 behalf of a State or political subdivision
16 thereof, and for mortgages acquired under
17 section 1335 of the Federal Housing En-
18 terprises Financial Safety and Soundness
19 Act of 1992 (12 U.S.C. 4565), the fol-
20 lowing coverage requirements apply for un-
21 paid principal balances at the time of pur-
22 chase:

23 “(I) For a mortgage with an un-
24 paid principal balance that is equal to
25 an amount that is above 80 percent

1 and not more than 85 percent of the
2 value of the property, an amount that
3 is not less than 6 percent the portion
4 of the unpaid principal balance of the
5 mortgage shall be guaranteed or in-
6 sured by a qualified insurer.

7 “(II) For a mortgage with an un-
8 paid principal balance that is equal to
9 an amount that is above 85 percent
10 and not more than 90 percent of the
11 value of the property, an amount that
12 is not less than 12 percent the portion
13 of the unpaid principal balance of the
14 mortgage shall be guaranteed or in-
15 sured by a qualified insurer.

16 “(III) For a mortgage with an
17 unpaid principal balance that is equal
18 to an amount that is above 90 percent
19 and not more than 95 percent of the
20 value of the property, an amount that
21 is not less than 16 percent of the por-
22 tion of the unpaid principal balance of
23 the mortgage shall be guaranteed or
24 insured by a qualified insurer.

1 “(IV) For a mortgage with an
2 unpaid principal balance that is equal
3 to an amount that is above 95 percent
4 and not more than 97 percent of the
5 value of the property, an amount that
6 is not less than 18 percent the portion
7 of the unpaid principal balance of the
8 mortgage shall be guaranteed or in-
9 sured by a qualified insurer.

10 “(ii) LOW INCOME MORTGAGOR.—

11 “(I) IN GENERAL.—For a mort-
12 gage with an unpaid principal balance
13 at the time of purchase that is equal
14 to an amount that is above 90 percent
15 and not more than 97 percent of the
16 value of the property, and for which
17 the mortgagor of the mortgage is a
18 low-income mortgagor, the Director of
19 the Federal Housing Finance Agency
20 may permit that an amount that is
21 not less than 25 percent of the por-
22 tion of the unpaid principal balance of
23 the mortgage shall be guaranteed or
24 insured by a qualified insurer.

1 “(II) LOW-INCOME MORTGAGOR
2 DEFINED.—

3 “(aa) IN GENERAL.—The
4 term ‘low-income mortgagor’
5 means a mortgagor with a house-
6 hold income of not more than 80
7 percent of the area median in-
8 come.

9 “(bb) AREA MEDIAN INCOME
10 QUALIFICATION.—The Director
11 of the Federal Housing Finance
12 Agency may adjust the area me-
13 dian income qualification de-
14 scribed in item (aa).

15 “(2) QUALIFIED INSURER.—

16 “(A) IN GENERAL.—To be a qualified in-
17 surer under this subsection, an insurer shall—

18 “(i) be subject to any State insurance
19 law or regulations that are applicable to in-
20 surance companies in the respective State
21 in which the insurer operates;

22 “(ii) be subject to any eligibility
23 standards as described in subparagraph
24 (B); and

25 “(iii) be a private enterprise.

1 “(B) ELIGIBILITY STANDARDS FROM COR-
2 PORATION.—

3 “(i) IN GENERAL.—The Corporation
4 may set eligibility standards, as described
5 in clause (ii), for qualified insurers.

6 “(ii) IMPOSITION OF STANDARDS.—
7 Any eligibility standards imposed by the
8 Corporation on qualified insurers shall be
9 approved by the Director of the Federal
10 Housing Finance Agency and subject to a
11 30 day notice and comment period for the
12 public, including insurers to provide input
13 on the proposed eligibility requirements or
14 changes thereto. The Director may only
15 approve such proposed eligibility require-
16 ments from the public comment period.”

17 “(f) HOLDING OF ASSETS.—

18 “(1) IN GENERAL.—The value of the covered
19 assets held by the Corporation at any time may not
20 exceed the greater of—

21 “(A) 8 percent of the Corporation’s total
22 assets; or

23 “(B) an amount that the Secretary of the
24 Treasury and the Director of the Federal Hous-

1 ing Finance Agency determine is necessary on
2 a quarterly basis to—

3 “(i) engage in the business of
4 securitizing mortgage-backed securities
5 guaranteed the Corporation; and

6 “(ii) comply with the liquidity require-
7 ments prescribed by the Director.

8 “(2) COVERED ASSETS DEFINED.—In this sub-
9 section, the term ‘covered assets’—

10 “(A) means mortgages, mortgage loans,
11 mortgage-related securities, participation certifi-
12 cates, mortgage-backed commercial paper, obli-
13 gations of real estate mortgage investment con-
14 duits, and any substantially similar assets; and

15 “(B) does not include loans for the con-
16 struction of residential dwelling units.

17 “(g) REQUIREMENTS APPLYING TO THE PURCHASE
18 OF SINGLE-FAMILY RESIDENTIAL MORTGAGES.—

19 “(1) IN GENERAL.—The Corporation may not
20 vary the pricing or any other contractual term of the
21 acquisition by the Corporation of any single-family
22 residential mortgage (including by granting any vari-
23 ance) based on the size, charter type, or volume of
24 business of the seller of such mortgage.

1 “(2) EQUIVALENT OFFERS.—The Corporation
2 shall offer to purchase at all times, for equivalent
3 cash consideration (subject to an appropriate adjust-
4 ment for the value of any servicing rights retained
5 by an approved seller-servicer and for the cost of
6 bearing or otherwise managing any incremental
7 credit, market, operational, liquidity, or other risk
8 associated with the cash window), and on substan-
9 tially similar terms, including pricing, any single-
10 family residential mortgage that—

11 “(A) is of a class of single-family residen-
12 tial mortgages that the Corporation offers to
13 acquire for mortgage-backed securities guaran-
14 teed by the Corporation or other noncash con-
15 sideration;

16 “(B) is offered for sale to the Corporation
17 by a seller that has been approved to do busi-
18 ness with the Corporation; and

19 “(C) has been originated and, if sold, sold
20 in compliance with any underwriting or other
21 similar restrictions prescribed by the Corpora-
22 tion or the Director of the Federal Housing Fi-
23 nance Agency as a conservator

24 “(3) SIMULTANEOUS MORTGAGE LEINS.—The
25 Corporation may not purchase a single-family resi-

1 dential mortgage that was originated in combination
2 with a subordinate lien secured against the same
3 property if at the time of origination, such mortgage
4 or such subordinate lien provided access to a home
5 equity line of credit that, if used by the mortgagor
6 could, in combination with the original principal ob-
7 ligation of such mortgage and the original principal
8 obligation of such subordinate lien, exceed 80 per-
9 cent of the value of such property.”.

10 (2) OBLIGATIONS AND SECURITIES.—Section
11 306(l)(2)(C)(i) of the Federal Home Loan Mortgage
12 Corporation Act (12 U.S.C. 1455(l)(2)(C)(i)) is
13 amended to read as follows:

14 “(i) dedicated for—

15 “(I) the purpose of deficit reduc-
16 tion; or

17 “(II) the purpose of supporting
18 housing supply initiatives, including
19 affordable and middle-income housing
20 developments, as defined by the Sec-
21 retary of the Treasury; and”.

22 (3) EFFECTIVE DATES.—The amendments
23 made by—

1 (A) paragraph (1) shall take effect on the
2 date that is 180 days after the date of the en-
3 actment of this section; and

4 (B) paragraph (2) shall take effect on the
5 date of the enactment of this section.

6 (b) FANNIE MAE.—

7 (1) MORTGAGE OPERATIONS.—Section 302 of
8 the National Housing Act (12 U.S.C. 1717(b)(2))—

9 (A) in subsection (b)(2)—

10 (i) by striking “For the” and insert-
11 ing the following: “LIMITS ON PURCHASES
12 OF HIGH LOAN-TO-VALUE MORTGAGES—

13 “(A) IN GENERAL.—For the”;

14 (ii) in subparagraph (A), as amended
15 by clause (i)—

16 (I) by striking “value of” and in-
17 serting “lesser of appraised value or
18 purchase price of”;

19 (II) by striking “not less than 10
20 per centum in the mortgage” and in-
21 serting “not less than the same per-
22 centage of the first-loss portion of the
23 unpaid principal balance of the mort-
24 gage that is required to be insured or

1 guaranteed as described in subsection
2 (d)(1)”;

3 (III) by striking “for such period
4 and”;

5 (IV) by inserting “not later than
6 120 days after the default of such
7 mortgage” after “is in default”; and

8 (V) by striking “as determined
9 by the corporation” and inserting “,
10 subject to the coverage and the quali-
11 fied insurer requirements described in
12 subsection (d)”;

13 (iii) by adding at the end the fol-
14 lowing:

15 “(B) EXCEPTION FOR REFINANCING.—
16 Notwithstanding the second sentence of sub-
17 paragraph (A), the corporation may purchase a
18 conventional mortgage with an outstanding
19 principal balance exceeding 97 percent of the
20 value of the property securing the mortgage if
21 the corporation or the Federal Home Loan
22 Mortgage Corporation, during the 30 day pe-
23 riod before the origination of such mortgage,
24 replaced a mortgage with the same borrower se-

1 cured by the same property and the new con-
2 ventional mortgage—

3 “(i) reduces payment amounts for the
4 borrower;

5 “(ii) shortens the amortization term
6 of the mortgage; or

7 “(iii) replaces variable rate mortgage
8 with fixed rate mortgage for a minimum of
9 a 60 month term.”; and

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

11 “(d) INSURANCE OR GUARANTEE ON UNPAID PRIN-
12 CIPAL BALANCE OF A MORTGAGE.—

13 “(1) REQUIREMENTS.—

14 “(A) IN GENERAL.—With respect to the
15 insurance or guarantee on the portion of the
16 unpaid principal balance at the time of pur-
17 chase of a mortgage which is in excess of 80
18 percent of the value of the property securing
19 the mortgage that is required under subsection
20 (b)(2)(A), the following requirements apply:

21 “(i) For a mortgage with an unpaid
22 principal balance that is equal to an
23 amount that is above 80 percent and not
24 more than 85 percent of the value of the
25 property—

1 “(I) an amount that is not less
2 than 12 percent of the portion of the
3 unpaid principal balance of the mort-
4 gage shall be guaranteed or insured
5 by a qualified insurer; or

6 “(II) if the mortgage is a fixed-
7 rate mortgage with a fully amortizing
8 term of less than or equal to 20 years,
9 an amount that is not less than 6 per-
10 cent of the portion of the unpaid prin-
11 cipal balance of the mortgage shall be
12 guaranteed or insured by a qualified
13 insurer.

14 “(ii) For a mortgage with an unpaid
15 principal balance that is equal to an
16 amount that is above 85 percent and not
17 more than 90 percent of the value of the
18 property—

19 “(I) an amount that is not less
20 than 25 percent of the portion of the
21 unpaid principal balance of the mort-
22 gage shall be guaranteed or insured
23 by a qualified insurer; or

24 “(II) if the mortgage is a fixed-
25 rate mortgage with a fully amortizing

1 term of less than or equal to 20 years,
2 an amount that is not less than 12
3 percent the portion of the unpaid
4 principal balance of the mortgage
5 shall be guaranteed or insured by a
6 qualified insurer.

7 “(iii) For a mortgage with an unpaid
8 principal balance that is equal to an
9 amount that is above 90 percent and not
10 more than 95 percent of the value of the
11 property—

12 “(I) an amount that is not less
13 than 30 percent the portion of the un-
14 paid principal balance of the mortgage
15 shall be guaranteed or insured by a
16 qualified insurer; or

17 “(II) if the mortgage is a fixed-
18 rate mortgage with a fully amortizing
19 term of less than or equal to 20 years,
20 an amount that is not less than 25
21 percent the portion of the unpaid
22 principal balance of the mortgage
23 shall be guaranteed or insured by a
24 qualified insurer.

1 “(iv) For a mortgage with an unpaid
2 principal balance that is equal to an
3 amount that is above 95 percent and not
4 more than 97 percent of the value of the
5 property, an amount that is not less than
6 35 percent of the portion of the unpaid
7 principal balance of the mortgage shall be
8 guaranteed or insured by a qualified in-
9 surer.

10 “(B) EXCEPTIONS.—

11 “(i) STATE AGENCIES AND CERTAIN
12 MORTGAGE PROGRAMS.—With respect to a
13 seller that is a State or political subdivi-
14 sion thereof, for mortgages purchased on
15 behalf of a State or political subdivision
16 thereof, and for mortgages acquired under
17 section 1335 of the Federal Housing En-
18 terprises Financial Safety and Soundness
19 Act of 1992 (12 U.S.C. 4565), the fol-
20 lowing coverage requirements apply for un-
21 paid principal balances at the time of pur-
22 chase:

23 “(I) For a mortgage with an un-
24 paid principal balance that is equal to
25 an amount that is above 80 percent

1 and not more than 85 percent of the
2 value of the property, an amount that
3 is not less than 6 percent the portion
4 of the unpaid principal balance of the
5 mortgage shall be guaranteed or in-
6 sured by a qualified insurer.

7 “(II) For a mortgage with an un-
8 paid principal balance that is equal to
9 an amount that is above 85 percent
10 and not more than 90 percent of the
11 value of the property, an amount that
12 is not less than 12 percent the portion
13 of the unpaid principal balance of the
14 mortgage shall be guaranteed or in-
15 sured by a qualified insurer.

16 “(III) For a mortgage with an
17 unpaid principal balance that is equal
18 to an amount that is above 90 percent
19 and not more than 95 percent of the
20 value of the property, an amount that
21 is not less than 16 percent of the por-
22 tion of the unpaid principal balance of
23 the mortgage shall be guaranteed or
24 insured by a qualified insurer.

1 “(IV) For a mortgage with an
2 unpaid principal balance that is equal
3 to an amount that is above 95 percent
4 and not more than 97 percent of the
5 value of the property, an amount that
6 is not less than 18 percent the portion
7 of the unpaid principal balance of the
8 mortgage shall be guaranteed or in-
9 sured by a qualified insurer.

10 “(ii) LOW INCOME MORTGAGOR.—

11 “(I) IN GENERAL.—For a mort-
12 gage with an unpaid principal balance
13 at the time of purchase that is equal
14 to an amount that is above 90 percent
15 and not more than 97 percent of the
16 value of the property, and for which
17 the mortgagor of the mortgage is a
18 low-income mortgagor, the Director of
19 the Federal Housing Finance Agency
20 may permit that an amount that is
21 not less than 25 percent of the por-
22 tion of the unpaid principal balance of
23 the mortgage shall be guaranteed or
24 insured by a qualified insurer.

1 “(II) LOW-INCOME MORTGAGOR
2 DEFINED.—

3 “(aa) IN GENERAL.—The
4 term ‘low-income mortgagor’
5 means a mortgagor with a house-
6 hold income of not more than 80
7 percent of the area median in-
8 come.

9 “(bb) AREA MEDIAN INCOME
10 QUALIFICATION.—The Director
11 of the Federal Housing Finance
12 Agency may adjust the area me-
13 dian income qualification de-
14 scribed in item (aa).

15 “(2) QUALIFIED INSURER.—

16 “(A) IN GENERAL.—To be a qualified in-
17 surer under this subsection, an insurer shall—

18 “(i) be subject to any State insurance
19 law or regulations that are applicable to in-
20 surance companies in the respective State
21 in which the insurer operates;

22 “(ii) be subject to any eligibility
23 standards as described in subparagraph
24 (B); and

25 “(iii) be a private enterprise.

1 “(B) ELIGIBILITY STANDARDS FROM COR-
2 PORATION.—

3 “(i) IN GENERAL.—The corporation
4 may set eligibility standards, as described
5 in clause (ii), for qualified insurers.

6 “(ii) IMPOSITION OF STANDARDS.—
7 Any eligibility standards imposed by the
8 corporation on qualified insurers shall be
9 approved by the Director of the Federal
10 Housing Finance Agency and subject to a
11 30 day notice and comment period for the
12 public, including insurers to provide input
13 on the proposed eligibility requirements or
14 changes thereto. The Director may only
15 approve such proposed eligibility require-
16 ments from the public comment period.”

17 “(e) HOLDING OF ASSETS.—

18 “(1) IN GENERAL.—The value of the covered
19 assets held by the corporation at any time may not
20 exceed the greater of—

21 “(A) 8 percent of the corporation’s total
22 assets; or

23 “(B) an amount that the Secretary of the
24 Treasury and the Director of the Federal Hous-

1 ing Finance Agency determine is necessary on
2 a quarterly basis to—

3 “(i) engage in the business of
4 securitizing mortgage-backed securities
5 guaranteed the corporation; and

6 “(ii) comply with the liquidity require-
7 ments prescribed by the Director.

8 “(2) COVERED ASSETS DEFINED.—In this sub-
9 section, the term ‘covered assets’—

10 “(A) means mortgages, mortgage loans,
11 mortgage-related securities, participation certifi-
12 cates, mortgage-backed commercial paper, obli-
13 gations of real estate mortgage investment con-
14 duits, and any substantially similar assets; and

15 “(B) does not include loans for the con-
16 struction of residential dwelling units.

17 “(f) REQUIREMENTS APPLYING TO THE PURCHASE
18 OF SINGLE-FAMILY RESIDENTIAL MORTGAGES.—

19 “(1) IN GENERAL.—The corporation may not
20 vary the pricing or any other contractual term of the
21 acquisition by the corporation of any single-family
22 residential mortgage (including by granting any vari-
23 ance) based on the size, charter type, or volume of
24 business of the seller of such mortgage.

1 “(2) EQUIVALENT OFFERS.—The corporation
2 shall offer to purchase at all times, for equivalent
3 cash consideration (subject to an appropriate adjust-
4 ment for the value of any servicing rights retained
5 by an approved seller-servicer and for the cost of
6 bearing or otherwise managing any incremental
7 credit, market, operational, liquidity, or other risk
8 associated with the cash window), and on substan-
9 tially similar terms, including pricing, any single-
10 family residential mortgage that—

11 “(A) is of a class of single-family residen-
12 tial mortgages that the corporation offers to ac-
13 quire for mortgage-backed securities guaranteed
14 by the corporation or other noncash consider-
15 ation;

16 “(B) is offered for sale to the corporation
17 by a seller that has been approved to do busi-
18 ness with the corporation; and

19 “(C) has been originated and, if sold, sold
20 in compliance with any underwriting or other
21 similar restrictions prescribed by the corpora-
22 tion or the Director of the Federal Housing Fi-
23 nance Agency as a conservator

24 “(3) SIMULTANEOUS MORTGAGE LEINS.—The
25 corporation may not purchase a single-family resi-

1 dential mortgage that was originated in combination
2 with a subordinate lien secured against the same
3 property if at the time of origination, such mortgage
4 or such subordinate lien provided access to a home
5 equity line of credit that, if used by the mortgagor
6 could, in combination with the original principal ob-
7 ligation of such mortgage and the original principal
8 obligation of such subordinate lien, exceed 80 per-
9 cent of the value of such property.”.

10 (2) OBLIGATIONS AND SECURITIES.—Section
11 304(g)(2)(C)(i) of the National Housing Act (12
12 U.S.C. 1719(g)(2)(C)(i)) is amended to read as fol-
13 lows:

14 “(i) dedicated for—

15 “(I) the purpose of deficit reduc-
16 tion; or

17 “(II) the purpose of supporting
18 housing supply initiatives, including
19 affordable and middle-income housing
20 developments, as defined by the Sec-
21 retary of the Treasury; and”.

22 (3) EFFECTIVE DATES.—The amendments
23 made by—

1 (A) paragraph (1) shall take effect on the
2 date that is 180 days after the date of the en-
3 actment of this section; and

4 (B) paragraph (2) shall take effect on the
5 date of the enactment of this section.

6 **SEC. 3. ADJUSTMENTS TO LIMITATIONS OF MAXIMUM**
7 **ORIGINAL PRINCIPAL OBLIGATION OF CON-**
8 **VENTIONAL MORTGAGES.**

9 (a) FREDDIE MAC.—Section 305(a)(2)(A) of the
10 Federal Home Loan Mortgage Corporation Act, as amend-
11 ed by section 2, is further amended by striking “Each ad-
12 justment” and all that follows through “exceed prior de-
13 clines.” and inserting the following: “Each adjustment
14 shall be made by adding each such amount (as it may have
15 been previously adjusted) a percentage thereof equal to the
16 lower of the percentage increase, during the most recent
17 12-month period ending before the time of determining
18 such annual adjustment, in median household income pub-
19 lished by the Bureau of the Census or the housing price
20 index as determined by the Director of the Federal Hous-
21 ing Finance Agency.”.

22 (b) FANNIE MAE.—Section 302(b)(2)(A) of the Na-
23 tional Housing Act, as amended by section 2, is further
24 amended by striking “Each adjustment” and all that fol-
25 lows through “exceed prior declines.” and inserting the

1 following: “Each adjustment shall be made by adding each
2 such amount (as it may have been previously adjusted)
3 a percentage thereof equal to the lower of the percentage
4 increase, during the most recent 12-month period ending
5 before the time of determining such annual adjustment,
6 in median household income published by the Bureau of
7 the Census or the housing price index as determined by
8 the Director of the Federal Housing Finance Agency.”.

9 (c) FHA LOANS.—Section 203(b)(2)(A) of the Na-
10 tional Housing Act (12 U.S.C. 1709(b)(2)) is amended—

11 (1) by striking “not to exceed the lesser of—”
12 and inserting the following: “not to exceed 115 per-
13 cent of the median house price in the area in 2026,
14 as determined by the Secretary, which the Secretary
15 shall adjust the maximum principal obligation per-
16 mitted on an annual basis by adding to the amount
17 described in the previous sentence a percentage
18 thereof equal to the lower of the percentage increase,
19 during the most recent 12-month period ending be-
20 fore the time of determining such annual adjust-
21 ment, in median household income published by the
22 Bureau of the Census or the housing price index as
23 determined by the Director of the Federal Housing
24 Finance Agency;””; and

25 (2) by striking clauses (i) and (ii);

1 **SEC. 4. PRIOR APPROVAL OF ENTERPRISE PRODUCTS.**

2 (a) IN GENERAL.—Section 1321 of the Federal
3 Housing Enterprises Financial Safety and Soundness Act
4 of 1992 (12 U.S.C. 4541) is amended—

5 (1) in subsection (c)—

6 (A) in paragraph (3)—

7 (i) by striking “30-day” and inserting
8 “60-day”;

9 (ii) by striking “During” and insert-
10 ing the following:

11 “(A) IN GENERAL.—During”; and

12 (iii) by adding at the end the fol-
13 lowing:

14 “(B) EXTENSION OF PUBLIC COMMENT
15 PERIOD.—The Director may extend the public
16 comment period described in subparagraph (A)
17 by 30 days.”; and

18 (B) in paragraph (4)—

19 (i) in subparagraph (A), by striking
20 “30” and inserting “60”;

21 (ii) in subparagraph (B), by striking
22 “30-day” and all that follows through
23 “product” and inserting “60-day period
24 described in subparagraph (A), then the
25 product is denied.”; and

26 (iii) by striking subparagraph (C);

1 (2) in subsection (e)(1)(C)—

2 (A) by striking “to—” and inserting “to
3 the activities described in subparagraphs (A)
4 and (B).”; and

5 (B) by striking clauses (i) and (ii); and

6 (3) by adding at the end the following:

7 “(g) PUBLIC DISCLOSURE OF DETERMINATION.—In
8 addition to information disclosed in the request for public
9 comment under subsection (c), the Director shall publish
10 on a public website and in the Federal Register any non-
11 proprietary information related to a determination with
12 respect a new product or new activity submission not later
13 than 30 days after making such determination, including
14 information related to the criteria for such determina-
15 tion.”.

16 (b) RULEMAKING.—Not later than 90 days after the
17 date of the enactment of this section, the Director of the
18 Federal Housing Finance Agency shall issue or revise
19 rules to carry out the amendments of this section.

20 **SEC. 5. CORE CAPITAL DEFINITION.**

21 Section 1303(7) of the Federal Housing Enterprises
22 Financial Safety and Soundness Act of 1992 (12 U.S.C.
23 4502(7)) is amended by inserting after subparagraph (D)
24 the following:

1 “(E) Any other components or adjust-
2 ments as determined appropriate by the Direc-
3 tor for the purposes of—

4 “(i) ensuring safety and soundness of
5 an enterprise; and

6 “(ii) enhancing transparency and con-
7 sistency with respect to financial industry
8 standards.”.

9 **SEC. 6. RISK TRANSFER REQUIREMENTS.**

10 (a) TRANSFER OF RISK.—Subpart A of part 2 of
11 subtitle A of the Federal Housing Enterprises Financial
12 Safety and Soundness Act of 1992 (12 U.S.C. 4541 et
13 seq.) is amended by adding at the end the following:

14 **“SEC. 1329. TRANSFER OF RISK.**

15 “(a) IN GENERAL.—Not later than 2 years after the
16 date of the enactment of this section, the Director shall
17 require each enterprise to transfer the vast majority of
18 credit risk on single-family residential mortgages, as de-
19 termined by the Director, starting at the first dollar after
20 expected losses, using the most economically feasible
21 mechanism to ensure that credit risk is transferred at all
22 tranches of risk, as prompt as the market conditions will
23 facilitate, to a diversified pool of investors and insurers,
24 all on a safe and sound basis, to reduce the mortgage cred-
25 it risk concentration at the enterprises at a cost that is

1 considered reasonable and consistent with the level of
2 guarantee fees being charged.

3 “(b) CREDIT RISK TRANSFER TARGETS AND PUBLI-
4 CATION.—

5 “(1) TARGETS.—The Director shall, on an an-
6 nual basis, issue and publish guidance that describes
7 targets for credit risk transfer transactions.

8 “(2) REPORT TO CONGRESS.—The Director
9 shall, on an annual basis, submit to the Congress a
10 report that describes the results of the previous
11 year’s credit risk transfers.

12 “(c) CREDIT RISK TRANSFER STRUCTURES.—The
13 Federal Home Loan Mortgage Corporation and the Fed-
14 eral National Mortgage Association may use existing
15 Credit Risk Transfer structures, including Credit Insur-
16 ance Risk Transfer (‘CIRT’), Agency Credit Insurance
17 Structure (‘ACIS’), Connecticut Avenue Security (‘CAS’),
18 or Structured Agency Credit Risk (‘STACR’), and Seller/
19 Servicer Risk Share arrangements, for the risk transfer
20 that is required under subsection (a).

21 “(d) ECONOMICALLY FEASIBLE DEFINED.—In this
22 section, the term ‘economically feasible’ means the ability
23 to consummate a risk-transfer trade in a manner that re-
24 sults in the enterprise remaining profitable on its acquisi-

1 tion of the underlying collateral in which the risk is trans-
2 ferred.”.

3 (b) RISK BASED CAPITAL LEVELS.—Section
4 1361(a)(1) of the Federal Housing Enterprises Financial
5 Safety and Soundness Act of 1992 (12 U.S.C. 4611(a)(1))
6 is amended to read as follows:

7 “(1) ENTERPRISES.—The Director shall, by
8 regulation, establish risk-based capital requirements
9 for the enterprises to ensure that the enterprises op-
10 erate in a safe and sound manner, maintaining suffi-
11 cient capital and reserves to support the risks that
12 arise in the operations and management of the en-
13 terprises, and promote consistency between the cap-
14 ital treatment of credit risk transfer and comparable
15 risk-transfer mechanism used by Federally regulated
16 financial institutions. The capital requirements shall
17 align with the actual credit risk characteristics of
18 mortgages and mortgage-backed securities, including
19 loan-to-value ratios, borrower credit scores, debt-to-
20 income ratios, and product structure, and avoid cap-
21 ital treatment that discourages or penalizes the use
22 of prudent credit risk transfer mechanisms.”.

1 **SEC. 7. CAPITAL FRAMEWORK AND RETURN REGULATION**
2 **FOR GOVERNMENT-SPONSORED ENTER-**
3 **PRISES.**

4 (a) TREASURY LINE OF CREDIT AND PERIODIC COM-
5 MITMENT FEE.—

6 (1) CONTINUATION OF TREASURY SUPPORT.—
7 Notwithstanding section 8 of this Act, the lines of
8 credit established under section 2.1 of the Senior
9 Preferred Stock Purchase Agreements for each en-
10 terprise shall remain in effect.

11 (2) AVAILABILITY OF UNUSED CREDIT FACIL-
12 ITY.—Each enterprise shall retain access to any un-
13 used and outstanding balances of the lines of credit
14 described in paragraph (1), which shall serve exclu-
15 sively as a catastrophic risk backstop subordinate to
16 any capital requirements made by the Director pur-
17 suant to section 1313B of the Federal Housing En-
18 terprises Financial Safety and Soundness Act of
19 1992 (12 U.S.C. 4513b).

20 (3) COMMITMENT FEE STRUCTURE.—To retain
21 access to the line of credit described in paragraph
22 (1), each enterprise shall pay an annual commitment
23 fee, the cost of which shall be determined by the
24 Secretary of the Treasury, in consultation with the
25 Director, based on prevailing market risk indicators,
26 including—

1 (A) credit default swap spreads of com-
2 parable financial institutions; and

3 (B) implied risk pricing in systemic risk
4 assessments determined by the Board of Gov-
5 ernors of the Federal Reserve System and the
6 Director.

7 (b) ESTABLISHMENT OF ALLOWABLE RETURN ON
8 EQUITY RANGE.—

9 (1) PURPOSE OF RETURN ON EQUITY RANGE.—

10 For the purposes of ensuring financial stability and
11 preventing excessive risk-taking, the Director, in
12 consultation with the Secretary of the Treasury,
13 shall establish a return on equity range requirement
14 for the enterprises.

15 (2) RETURN ON EQUITY RANGE DETERMINA-
16 TION.—The Director shall initially establish the re-
17 turn on equity range between 9 and 13 percent, as
18 determined through an economic assessment of fi-
19 nancial market conditions.

20 (3) REVIEW AND ADJUSTMENTS ON RETURN ON
21 EQUITY RANGE.—Not later than 5 years after the
22 date of the enactment of this section, and not later
23 than every 5 years thereafter, the Director—

1 (A) shall review and adjust as necessary
2 the return on equity range established under
3 this section;

4 (B) may make adjustments to the range to
5 a percentage that is outside the percentage
6 range described in paragraph (2); and

7 (C) shall make the adjustments through
8 rulemaking.

9 (c) COMMITMENT FEE ADJUSTMENTS AND CAPITAL
10 RETENTION.—

11 (1) COMMITMENT FEE IN NORMAL OPERATING
12 CONDITIONS.—In any fiscal year in which an enter-
13 prise reports a return on equity range within the es-
14 tablished range, the enterprise shall pay the commit-
15 ment fee as determined under subsection (a)(3).

16 (2) CAPITAL RETENTION WHEN RETURN ON
17 EQUITY FALLS BELOW THE LOWER BOUND.—In any
18 fiscal year in which an enterprise reports a return
19 on equity range below the lower bound of the estab-
20 lished range, the enterprise shall—

21 (A) be exempt from paying the commit-
22 ment fee for such year; and

23 (B) prioritize the retention of earnings to
24 bolster capital reserves, unless the core capital
25 levels of the enterprise meet or exceed the min-

1 imum requirements under any capital require-
2 ments made by the Director pursuant to section
3 1313B of the Federal Housing Enterprises Fi-
4 nancial Safety and Soundness Act of 1992 (12
5 U.S.C. 4513b).

6 (3) EXCESS EARNINGS REMITTANCE WHEN ROE
7 EXCEEDS UPPER BOUND.—In any fiscal year in
8 which an enterprise reports a return on equity range
9 above the upper bound of the established range, the
10 enterprise shall—

11 (A) pay the commitment fee as determined
12 under subsection (a)(3); and

13 (B) remit all net earnings exceeding the
14 upper bound to the Secretary of the Treasury
15 to compensate the Federal Government for its
16 implicit risk-bearing role.

17 (d) DIVIDEND RESTRICTIONS BASED ON CAPITAL
18 ADEQUACY.—

19 (1) DIVIDEND RESTRICTION FOR CAPITAL DEFICI-
20 ENCY.—An enterprise may not issue dividends in
21 any fiscal year in which the core capital of the enter-
22 prise falls below the minimum levels required under
23 any capital requirements made by the Director pur-
24 suant to section 1313B of the Federal Housing En-

1 terprises Financial Safety and Soundness Act of
2 1992 (12 U.S.C. 4513b).

3 (2) DIVIDEND ALLOWANCE IN LOW RETURN ON
4 EQUITY YEARS WITH ADEQUATE CAPITAL.—If an en-
5 terprise core capital meets or exceeds the minimum
6 capital requirements made by the Director pursuant
7 to section 1313B of the Federal Housing Enter-
8 prises Financial Safety and Soundness Act of 1992
9 (12 U.S.C. 4513b), dividend payments may not be
10 restricted, notwithstanding years in which the return
11 on equity falls below the lower bound of the estab-
12 lished range.

13 (e) IMPLEMENTATION AND REGULATORY OVER-
14 SIGHT.—

15 (1) RULEMAKING AND OVERSIGHT.—The Direc-
16 tor, in consultation with the Secretary of the Treas-
17 ury, shall issue rules to implement this section, in-
18 cluding—

19 (A) the methodologies for calculating the
20 commitment fee described in subsection (a)(3);

21 (B) the procedures for setting and adjust-
22 ing the return on equity range described in sub-
23 section (b);

24 (C) the capital retention requirements de-
25 scribed in subsection (c)(2); and

1 (D) the mechanisms for remittances of ex-
2 cess earnings described in subsection (e)(3)(B).

3 (2) ANNUAL REPORTING TO CONGRESS.—Not
4 later than 1 year after the date of the enactment of
5 this section, and annually thereafter, the Director
6 shall submit to the Financial Services Committee of
7 the House of Representatives and the Banking,
8 Housing, and Urban Affairs Committee of the Sen-
9 ate a report that details—

10 (A) the financial performance of each en-
11 terprise;

12 (B) the status of the lines of credit de-
13 scribed in subsection (a), including the amount
14 of unused credit available;

15 (C) the effect of the return on equity range
16 on housing finance stability and affordability;
17 and

18 (D) any recommendation for legislative or
19 regulatory adjustments to enhance the oversight
20 and risk management of the enterprises.

21 (f) DEFINITIONS.—In this section:

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

1 (2) ENTERPRISE.—The term “enterprise” has
2 the meaning given such term in section 1303 of the
3 Federal Housing Enterprises Financial Safety and
4 Soundness Act of 1992 (12 U.S.C. 4502).

5 (3) ESTABLISHED RANGE.—The term “estab-
6 lished range” means the return on equity range es-
7 tablished under subsection (b) and any adjustments
8 made to such range under subsection (b)(3).

9 (4) RETURN ON EQUITY.—The term “return on
10 equity” means the annual net income of the enter-
11 prise divided by value of total shareholder equity of
12 the enterprise, expressed as a percentage.

13 (5) SENIOR PREFERRED STOCK PURCHASE
14 AGREEMENT.—The term “Senior Preferred Stock
15 Purchase Agreement” means, with respect to an en-
16 terprise, the Amended and Restated Senior Pre-
17 ferred Stock Purchase Agreements, dated September
18 26, 2008, amended May 6, 2009, further amended
19 December 24, 2009, and further amended August
20 17, 2012, between the Secretary of the Treasury
21 and such enterprise.

1 **SEC. 8. STOCK OF EACH ENTERPRISE; PLAN TO TERMINATE**
2 **CONSERVATORSHIP.**

3 (a) SENIOR PREFERRED STOCK CONVERSION.—The
4 Secretary of the Treasury may convert the Senior Pre-
5 ferred Stocks of each enterprise into common equity.

6 (b) NO RESUMPTION OF PERIODIC COMMITMENT
7 FEE.—The Secretary of the Treasury shall not require the
8 enterprises to adhere to the periodic commitment fee de-
9 scribed in section 3.2 of the Senior Preferred Stock Pur-
10 chase Agreements.

11 (c) EXERCISE OF WARRANTS FOR COMMON
12 STOCK.—The Secretary of the Treasury shall exercise the
13 warrants for the purchase of common stock of the enter-
14 prises provided to the Secretary under the Senior Pre-
15 ferred Stock Purchase Agreements.

16 (d) PREPARATION TO TERMINATE CONSERVATOR-
17 SHIP.—

18 (1) CAPITAL STANDARDS.—Not later than 90
19 after the date of the enactment of this section, the
20 Director of the Federal Housing Finance Agency
21 shall make a determination with respect to necessary
22 capital standards for each enterprise to exit con-
23 servatorship.

24 (2) INSUFFICIENT CAPITAL.—If an enterprise
25 does not meet the capital standards described in

1 paragraph (1), the Director of the Federal Housing
2 Finance Agency shall—

3 (A) direct the enterprise to sell stock to
4 meet capital standards;

5 (B) define capital thresholds that deter-
6 mine the level of intervention by the Director;
7 and

8 (C) determine a timeline for the enterprise
9 to reach necessary capital standards.

10 (3) COMMITMENT TO RESTRUCTURE.—Not
11 later than 1 year after the date of the enactment of
12 this section, the Secretary of the Treasury and each
13 enterprise shall restructure the investment and divi-
14 dend amount of the Department of the Treasury
15 with respect to each enterprise in a manner that fa-
16 cilitates the orderly exit from conservatorship.

17 (e) SALE OF STOCKS.—Not later than 2 years after
18 the date of the enactment of this section, the Secretary
19 of the Treasury shall sell the stock from exercising its war-
20 rants described in subsection (c).

21 (f) DEFINITIONS.—In this section:

22 (1) ENTERPRISE.—The term “enterprise” has
23 the meaning given such term in section 1303 of the
24 Federal Housing Enterprises Financial Safety and
25 Soundness Act of 1992 (12 U.S.C. 4502).

1 (2) SENIOR PREFERRED STOCK PURCHASE
2 AGREEMENT.—The term “Senior Preferred Stock
3 Purchase Agreement” means, with respect to an en-
4 terprise, the Amended and Restated Senior Pre-
5 ferred Stock Purchase Agreements, dated September
6 26, 2008, amended May 6, 2009, further amended
7 December 24, 2009, and further amended August
8 17, 2012, between the Secretary of the Treasury
9 and such enterprise.