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(Original Signature of Member)

110TH CONGRESS  
2D SESSION

**H. R.**

6694

To revise the requirements for seller-financed downpayments for mortgages for single-family housing insured by the Secretary of Housing and Urban Development under title II of the National Housing Act and to authorize risk-based insurance premiums for certain mortgagors under such mortgages.

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IN THE HOUSE OF REPRESENTATIVES

Mr. AL GREEN of Texas (for himself, Mr. GARY G. MILLER of California, Ms. WATERS, and Mr. SHAYS) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To revise the requirements for seller-financed downpayments for mortgages for single-family housing insured by the Secretary of Housing and Urban Development under title II of the National Housing Act and to authorize risk-based insurance premiums for certain mortgagors under such mortgages.

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 “FHA Seller-Financed  
3 Downpayment Reform and Risk-Based Pricing Authoriza-  
4 tion Act of 2008”.

5 **SEC. 2. FHA SELLER-FINANCED DOWNPAYMENT PROGRAM.**

6 Paragraph (9) of section 203(b) of the National  
7 Housing Act (12 U.S.C. 1709(b)(9)) is amended—

8 (1) in subparagraph (C), by striking “In no  
9 case shall the funds required by subparagraph (A)”  
10 and inserting the following: “Except in the case of  
11 a mortgage described in subparagraph (D), the  
12 funds required by subparagraph (A) shall not”;

13 (2) by adding at the end the following new sub-  
14 paragraph:

15 “(D) EXCEPTIONS TO PROHIBITED  
16 SOURCES.—A mortgage described in this sub-  
17 paragraph is any of the following mortgages:

18 “(i) A mortgage under which the  
19 mortgagor has a credit score equivalent to  
20 a FICO score of 680 or greater.

21 “(ii) A mortgage under which—

22 “(I) the mortgagor has a credit  
23 score equivalent to a FICO score of at  
24 least 620 but less than 680; and

25 “(II) mortgage insurance pre-  
26 miums charged are established—

1           “(aa) at levels necessary to  
2 allow such class of loans to be in-  
3 sured without resulting in a need  
4 for an appropriation for a credit  
5 subsidy;

6           “(bb) in the case of the sin-  
7 gular premium collected at the time  
8 of insurance, in an amount not  
9 exceeding 3.0 percent of the  
10 amount of the original principal  
11 obligation of the mortgage; and

12           “(cc) in the case of the an-  
13 nual premium, in an amount not  
14 exceeding 1.25 percent of the re-  
15 maining insured principal balance  
16 (excluding the portion of the re-  
17 maining balance attributable to  
18 the premium collected at the time  
19 of insurance and without taking  
20 into account delinquent payments  
21 or prepayments).

22           “(iii) For mortgages insured in fiscal  
23 year 2010 or thereafter, a mortgage under  
24 which the mortgagor has a credit score  
25 equivalent to a FICO score of 619 or less,

1 but only if the Secretary certifies that such  
2 loans can be insured without resulting in a  
3 need for an appropriation for a credit sub-  
4 sidiy. For such mortgages, the Secretary  
5 may charge premiums at levels authorized  
6 under items (bb) and (cc) of clause (ii)(II)  
7 and may establish a credit or FICO score  
8 limitation or impose such other require-  
9 ments as are necessary to meet the condi-  
10 tions for certification under this clause.

11 “(E) REQUIREMENTS FOR DOWNPAYMENT  
12 ASSISTANCE ENTITIES.—Any entity partici-  
13 pating in a program that provides downpay-  
14 ment assistance for a mortgage described in  
15 subparagraph (D) pursuant to the exception  
16 under subparagraph (C), which programs shall  
17 include programs of governmental agencies and  
18 private nonprofit organizations, shall, before the  
19 closing for the loan involved in the mortgage in  
20 connection with which such assistance is pro-  
21 vided—

22 “(i) offer to make available, to the  
23 mortgagor, counseling regarding the re-  
24 sponsibilities and financial management in-  
25 volved in homeownership;

1           “(ii) if such offer is accepted by the  
2           mortgagor, make such counseling available  
3           for the mortgagor; and

4           “(iii) in the case of any such entity  
5           that is a private nonprofit organization,  
6           implement a conflict of interest policy that  
7           prohibits directors, officers, employees, and  
8           immediate family members from receiving  
9           financial benefits from any entity that is  
10          providing the program with goods or serv-  
11          ices other than the homeownership assist-  
12          ance program entity itself or its wholly  
13          owned affiliate.”.

14 **SEC. 3. AUTHORIZATION FOR RISK-BASED PRICING.**

15          Section 2133 of the FHA Modernization Act of 2008  
16 is amended by adding at the end the following new sub-  
17 section:

18          “(c) **AUTHORIZATION FOR RISK-BASED PRICING.**—

19                 “(1) **AUTHORITY.**—Notwithstanding sub-  
20 sections (a) and (b), the Secretary of Housing and  
21 Urban Development may implement a risk-based  
22 premium product for borrowers with lower credit or  
23 FICO scores, to facilitate the availability of insur-  
24 ance for mortgages for such borrowers, through the

1 establishment and collection of adequate premiums  
2 to cover the risks of such loans.

3 “(2) REFUND OF PREMIUMS.—The Secretary  
4 shall provide for a refund of a portion or all of the  
5 higher premiums paid at the time of insurance by  
6 borrowers with lower credit or FICO scores as a re-  
7 sult of risk-based pricing pursuant to this sub-  
8 section, except that such refund shall be limited to  
9 only borrowers with a history of at least a specified  
10 number of years of on-time mortgage payments.  
11 Such refund shall be made upon payment in full of  
12 the obligation of the mortgage.”