

FHA Legislative Proposal Comparison
Proposed Implementation: Vehicle and Time Frame

Topic	H. R. 1852 Financial Services Committee Bill	S. 2338 Senate Banking Committee Bill	Vehicle	Time Frame
Status	The Expanding American Homeownership Act of 2007 passed the full House on September 18, 2007 by a vote of 348 to 72.	The FHA Modernization Act of 2007 passed the Senate on December 14, 2007 by a vote of 93 to 1.		
Loan limits	Maximum FHA loan set at the lower of (a) 125% of the local area median home price, or (b) 175% of the GSE conforming loan limit (\$729,750 based on \$417,000 limit in 2007). Provides additional authority to HUD to raise limits additional \$100,000 if market conditions warrant. Floor raised from 48% to 65% of the GSE conforming loan limit. Provides additional authority to HUD to increase floor if market conditions warrant	Raises the maximum insurable loan amount to the lesser of (a) 100% of local median home price or (b) the GSE conforming loan limit. Same floor as H.R. 1852; does not include market distress provision.	Mortgagee Letter	30-60 Days
Loan term extension	Extended to 40 years.	Not included.	Mortgagee Letter	60-90 Days
Change to Limits on Mortgage amount as	Sets limit on mortgage amount to 97.75% of appraised value, except For zero down payment mortgages, where it can be the	100% LTV cap on FHA first mortgage based on appraised value Only, no additional closing costs may be included	Mortgagee Letter	60-90 Days

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percent of appraised value	appraised value plus allowable fees.			
Cash investment requirement	Requires three percent down payment for most mortgages; gifts from family members, government agencies or nonprofits with at least \$4m in assets shall count towards that requirement; first time homebuyers and certain other borrowers eligible for insurance on lower- or zero-downpayment mortgages.	Requires minimum of 1.5%; prohibits seller-funded downpayment assistance from providing any of the required downpayment.	Mortgagee Letter	30-60 Days
Creation of “Higher Risk” category of borrowers	Directs the Secretary to establish underwriting standards for “Higher Risk” borrowers with FICO scores below 560.	Not included.		To be determined
Risk-based premiums	Permits Secretary to establish premium structure for upfront or annual premiums, or both. Premium rates may vary over loan term if basis for change is determined at origination. Authorizes premiums to be determined based on product (e.g. adjustable rate mortgage) risk.	Implementation of HUD’s proposed risk-based premium rule (FR-5171-N-01) delayed by one year.	Federal Register Notice	To be determined
Change to Maximum upfront	2.25% for Standard-Risk mortgages; 3.0% on Higher-Risk mortgages and Zero- and Lower-	3.0% or 2.75% for first time homebuyers with approved homeownership counseling.	Federal Register Notice	120-180 Days

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premium amounts	Downpayment (Zero Down) mortgages for first-time homebuyers.			
Change to Maximum annual premium amounts	0.5% for Standard and Higher-Risk mortgages; 0.75% for Zero Down mortgages.	Not included.	Federal Register Notice	120-180 Days
Annual reporting requirement	<ul style="list-style-type: none"> -- Requires annual report on default and foreclosure rates for Higher-Risk and Zero Down mortgages and use of loss mitigation. -- Requires annual independent actuarial review of the MMIF and quarterly reports on loan performance. -- Requires annual report on risk-based premiums and how they were determined. 	Requires annual independent actuarial review of the MMIF and quarterly reports on loan performance.		No implementation time/method: no effect on industry
Foreclosure prevention counseling	If mortgagee becomes sixty days delinquent, mortgagor will notify approved housing counseling entity and provide contact information for mortgagor. The entity will notify the mortgagor of both such delinquency and availability of foreclosure prevention counseling. The bill	If borrower becomes 30 days delinquent, the mortgagee will notify the borrower of foreclosure prevention counseling. If borrower becomes 90 days delinquent and does not respond to mortgagee's attempts to contact the borrower, the mortgagee will provide sufficient information to a	Federal Register Notice	120-180 Days

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	does not state how counseling would be funded.	designated housing counseling entity to contact the borrower. The borrower may opt out of this agreement. The bill does not state how counseling would be funded.		
Pre-purchase counseling	<p>Requires homeownership counseling be provided by approved third party prior to closing. For zero down mortgages, counseling must cover other mortgage options; property appreciation needed to cover cost of the mortgage on second, fifth and tenth anniversaries; relative cost of Zero Down mortgage. Must include real estate property management in case of 2- or 3-unit properties. Counseling would be funded by using increase in premium revenue due to legislation.</p> <p>Requires mortgagees to disclose, at application, a list of counseling agencies approved by the Secretary; at execution, the terms of the mandatory payment incentive premium reduction, and a statement that the mortgagor has the right to loss mitigation.</p>	Creates three-year pilot program to test effectiveness of pre-purchase homeownership counseling for borrowers who put less than 3% down.	Federal Register Notice	120-180 Days

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Borrowers without Sufficient Credit History	Creates Pilot program to establish automated process for providing alternative credit rating information for borrowers with insufficient traditional credit histories; program limited to 5% of number of loans in previous year; GAO required to study program's impact.	Same.		120-180 Days
Broker eligibility requirements	Allows mortgage brokers to post surety bond worth between \$50,000 and \$100,000 in lieu of net worth and annual financial auditing requirements.	Does not alter existing net worth or annual financial auditing requirements.		To be determined
Condominium loans	Limits Section 234(c) loans to projects with blanket mortgages and makes loans secured by condominiums eligible for insurance under Section 203(b).	Amends definition of "mortgage" to include condominium mortgages so that they can be insured under Section 203.	Mortgagee Letter	90-120 Days
Adjustment of premiums	Authorizes Secretary to adjust premiums if actuarial study shows that MMIF will not meet or maintain its target subsidy rate. Authorizes annual re-determination of premiums and increases commensurate with additional credit risk.	Same.		To be determined
Expansion of programs	Moves HECM, rehabilitation, homeownership voucher,	Same.		No implementation

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covered by MMIF	Hawaiian Homelands, and Indian Reservations programs to MMIF.			time/method: no effect on industry
Home equity conversion mortgage (HECM) origination fees	Limits origination fees to 1.5%.	Same; also requires study on how limiting fees affects cost and availability of credit, as wells program's safety and soundness.	Mortgagee Letter	30-60 Days
HECM caps	Removes limit on number of HECM loans and raises maximum insurable amount to conforming loan limit.	Same.	Mortgagee Letter	30-60 Days
HECM mortgages for cooperatives	Permits HECM mortgages to be secured by cooperatives.	Same.	Mortgagee Letter	90-120 Days
HECM for home purchase	Authorizes insurance of home purchase mortgages.	Authorizes insurance of home purchase mortgages; so long as it is the primary residence	Mortgagee Letter	90-120 Days
HECM study	Requires study of effects of reducing HECM mortgage insurance premium on both the cost to mortgagor and financial soundness of the program.	Same.		No implementation time/method: no effect on industry
Implementation	Authorizes implementation by a notice that is effective upon issuance.	Same.		
Information technology/ Human	Authorizes FHA to use \$25 million from excess premium collection for technology and	Same; also requires HUD report on updating FHA processes and technology so FHA origination,		To be determined

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resources investment	salary improvements	insurance and servicing procedures conform with secondary market		
Multifamily Loan Limits	The bill increases the FHA multifamily loan limit high cost factors from 140% to 170% in high cost areas and from 170% to 215% on a case-by-case basis.	Not included.		
Limitation on increase in mortgage insurance premium	The bill prohibits HUD from increasing the MIP on any FHA program (single family or multifamily) unless the Secretary determines that, without the increase, the program will require an appropriation of credit subsidy.	Similar to H.R. 1852 except it is limited to multifamily programs and sunsets October 1, 2009. This would prohibit an MIP increase in FY 2008 and FY 2009, but does not extend into FY 2010 or beyond.	Federal Register Notice	120-180 Daysf
Additional provisions	<p>H. R. 1852 Financial Services Committee Bill • Creates affordable housing grant fund, using increase in premium revenue due to legislation for grants for affordable rental housing and homeownership opportunities.</p> <ul style="list-style-type: none"> • Authorizes FHA to establish refinancing underwriting standards for both borrowers in loans with adverse terms and borrowers in default. 	<p>S. 2338 Senate Banking Committee Bill • Requires fraud prevention quality control prevention screening within eighteen months of date of enactment; expands existing federal statute criminalizing fraud against federal agencies to include FHA.</p> <ul style="list-style-type: none"> • Expands eligibility for post-purchase homeownership counseling to include borrowers having trouble meeting monthly 		

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	<ul style="list-style-type: none"> • Allows the Secretary to hold loan servicers responsible for failure to pay taxes, insurance premiums and other charges from escrow accounts by due date, and for reporting such failure to pay information to credit reporting agencies. • Authorizes discretionary annual premium reduction after three years of own time payments by the borrower and mandatory reduction after five years. Requires refund of excess upfront premium charged Higher-Risk mortgagors. • Requires HUD to consider of cost of repairs and maintaining existing affordability restrictions in determining market value of multifamily properties in noncompetitive sales to states and localities. 	<p>obligations due to death, divorce, medical expenses; significant property damage or large property tax increase.</p> <ul style="list-style-type: none"> • Creates pilot program with new limits for cost of energy efficiency improvements to be included in mortgage amount; pilot program limited to 5% of loans originated in previous year. 		