

[DISCUSSION DRAFT]111TH CONGRESS
2^D SESSION**H. R.** _____

To improve the financial safety and soundness of the FHA mortgage insurance program.

IN THE HOUSE OF REPRESENTATIVES

Ms. WATERS introduced the following bill; which was referred to the Committee on _____

A BILL

To improve the financial safety and soundness of the FHA mortgage insurance program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FHA Reform Act of
5 2010”.

6 **SEC. 2. MORTGAGE INSURANCE PREMIUMS.**

7 Subparagraph (B) of section 203(c)(2) of the Na-
8 tional Housing Act (12 U.S.C. 1709(c)(2)(B)) is amend-
9 ed—

1 (1) in the matter preceding clause (i)—

2 (A) by striking “shall” and inserting
3 “may”; and

4 (B) by striking “0.50 percent” and insert-
5 ing “1.5 percent”; and

6 (2) in clause (ii), by striking “shall be in an
7 amount not exceeding 0.55 percent” and inserting
8 “may be in an amount not exceeding 1.55 percent”.

9 **SEC. 3. INDEMNIFICATION BY MORTGAGEES.**

10 Section 202 of the National Housing Act (12 U.S.C.
11 1708) is amended by adding at the end the following new
12 subsection:

13 “(i) INDEMNIFICATION BY MORTGAGEES.—

14 “(1) IN GENERAL.—If the Secretary determines
15 that a mortgage executed by a mortgagee approved
16 by the Secretary under the direct endorsement pro-
17 gram or insured by a mortgagee pursuant to the del-
18 egation of authority under section 256 was not origi-
19 nated or underwritten in accordance with the re-
20 quirements established by the Secretary, and the
21 Secretary pays an insurance claim with respect to
22 the mortgage within a reasonable period specified by
23 the Secretary, the Secretary may require the mort-
24 gagee approved by the Secretary under the direct en-
25 dorsement program or the mortgagee delegated au-

1 thority under section 256 to indemnify the Secretary
2 for the loss.

3 “(2) FRAUD OR MISREPRESENTATION.—If
4 fraud or misrepresentation was involved in connec-
5 tion with the origination or underwriting, the Sec-
6 retary may require the mortgagee approved by the
7 Secretary under the direct endorsement program or
8 the mortgagee delegated authority under section 256
9 to indemnify the Secretary for the loss regardless of
10 when an insurance claim is paid.

11 “(3) REQUIREMENTS AND PROCEDURES.—The
12 Secretary shall issue regulations establishing appro-
13 priate requirements and procedures governing the
14 indemnification of the Secretary by the mortgagee.”.

15 **SEC. 4. DELEGATION OF INSURING AUTHORITY.**

16 Section 256 of the National Housing Act (12 U.S.C.
17 1715z–21) is amended—

18 (1) by striking subsection (e);

19 (2) in subsection (e), by striking “, including”
20 and all that follows through “by the mortgagee”;
21 and

22 (3) by redesignating subsections (d) and (e) as
23 subsections (c) and (d), respectively.

1 **SEC. 5. AUTHORITY TO TERMINATE MORTGAGEE ORIGINA-**
2 **TION AND UNDERWRITING APPROVAL.**

3 Section 533 of the National Housing Act (12 U.S.C.
4 1735f–11) is amended—

5 (1) in the first sentence of subsection (b), by in-
6 sserting “or areas or on a nationwide basis” after
7 “area” each place such term appears; and

8 (2) in subsection (c), by striking “(c)” and all
9 that follows through “The Secretary” in the first
10 sentence of paragraph (2) and inserting the fol-
11 lowing:

12 “(c) **TERMINATION OF MORTGAGEE ORIGINATION**
13 **AND UNDERWRITING APPROVAL.—**

14 “(1) **TERMINATION AUTHORITY.—**If the Sec-
15 retary determines, under the comparison provided in
16 subsection (b), that a mortgagee has a rate of early
17 defaults and claims that is excessive, the Secretary
18 may terminate the approval of the mortgagee to
19 originate or underwrite single family mortgages for
20 any area, or areas, or on a nationwide basis, not-
21 withstanding section 202(c) of this Act.

22 “(2) **PROCEDURE.—**The Secretary”.