

AMENDMENT TO H.R. 5072
[FHA REFORM ACT OF 2010]
OFFERED BY MR. GARY G. MILLER OF
CALIFORNIA

At the end of the bill, add the following new section:

1 **SEC. __. SHARED EQUITY PILOT PROGRAM.**

2 (a) **PURPOSE.**—The purpose of this section is to es-
3 tablish a shared equity homeownership pilot program for
4 FHA mortgage insurance to analyze the effectiveness of
5 shared equity finance methods that stimulate the flow of
6 private equity capital into the housing sector, while miti-
7 gating risk to borrowers and to the Mutual Mortgage In-
8 surance Fund.

9 (b) **ESTABLISHMENT.**—The Secretary of Housing
10 and Urban Development shall carry out a pilot program
11 under this section (in this section referred to as the “pilot
12 program)” to analyze the effectiveness of providing mort-
13 gage insurance under the FHA mortgage insurance pro-
14 gram for mortgages for the acquisition or refinancing of
15 1- to 4-family residences that are provided through a
16 shared equity arrangement under which an independent,
17 private sector investor invests, together with the mort-

1 gator, equity funds in such residence and thereby shares
2 in the ownership of the residence.

3 (c) APPLICATION AND SELECTION.—

4 (1) ELIGIBILITY AND APPLICATION.—The Sec-
5 retary shall establish eligibility requirements for fi-
6 nancial institutions, nonprofit organizations, housing
7 associations, investment pools, and other appropriate
8 individuals and entities to participate in the pilot
9 program and shall provide for eligible entities to
10 apply to the Secretary for such participation. Such
11 applications shall include such information as the
12 Secretary considers appropriate regarding the mat-
13 ters referred to in subparagraphs (A) through (D) of
14 paragraph (2).

15 (2) SELECTION.—Not later than 90 days after
16 the date of the enactment of this Act, the Secretary
17 shall select not more than 8 individuals and entities
18 to participate in the pilot program, from among eli-
19 gible individuals and entities applying for such par-
20 ticipation, using criteria established by the Sec-
21 retary, which shall include criteria based on—

22 (A) the methodology to be used for deploy-
23 ing equity sharing capital, which shall ensure
24 that equity sharing capital shall be deployed
25 from private sector sources;

1 (B) a definition of markets to be targeted;

2 (C) legal agreements and disclosures nec-
3 essary to protect mortgagors and all other in-
4 volved parties and to provide for periodic pro-
5 gram monitoring; and

6 (D) the source and level of revenue ex-
7 pected to be derived from participating in the
8 pilot program.

9 (d) **PRINCIPAL RESIDENCE.**—A residence acquired
10 with a mortgage that is insured by the Secretary under
11 the pilot program shall be occupied by the mortgagor as
12 the primary residence of the mortgagor.

13 (e) **DOWNPAYMENT.**—The mortgagor under a mort-
14 gage insured by the Secretary under the pilot program
15 shall comply with the requirement under section 203(b)(9)
16 of the National Housing Act (12 U.S.C. 1709(b)(9)) that
17 the mortgagor invest the amount required by the Sec-
18 retary, which shall be not less than 3.5 percent of the ap-
19 praised value of the residence.

20 (f) **MINIMUM HOMEBUYER EQUITY.**—The mortgagor
21 under the mortgage insured by the Secretary under the
22 pilot program shall retain a percentage of ownership in
23 the residence under the shared equity arrangement that
24 is not less than 60 percent.

1 (g) INSURANCE PREMIUMS.—Notwithstanding sec-
2 tion 203(c)(2)(B) of the National Housing Act (12 U.S.C.
3 1709(c)(2)(B)), the Secretary shall establish and collect
4 annual premium payments on mortgages insured by the
5 Secretary under the pilot program in an amount based on
6 the annual premium charged under such section
7 203(c)(2)(B), as adjusted by the Secretary to account for
8 any reduced risk in insuring such mortgages attributable
9 to the shared equity arrangement.

10 (h) RIGHTS OF MORTGAGOR.—The Secretary shall
11 establish requirements to ensure the mortgagor maintains
12 occupancy rights in the property subject to the mortgage
13 insured under the pilot program. A mortgagor and shared
14 equity investor shall receive transactional documentation
15 that addresses the rights, privileges and responsibilities of
16 both the mortgagor and shared equity investor.

17 (i) SCOPE.—

18 (1) GEOGRAPHIC DIVERSITY.—The Secretary
19 shall carry out the pilot program in multiple regional
20 mortgage markets in the United States.

21 (2) EQUITY SHARING CAPITAL INVESTMENTS.—
22 The Secretary shall, for each eligible entity partici-
23 pating in the pilot program, limit the amount of eq-
24 uity sharing capital invested under the pilot program
25 to \$25,000,000.

1 (3) TIMING.—The Secretary may not insure
2 any mortgage in connection with the pilot program
3 after the expiration of the two-year period beginning
4 on the date of the enactment of this Act.

5 (j) WAIVER.—The Secretary may waive, or specify al-
6 ternative requirements for, any provision of any statute,
7 regulation, or guideline that the Secretary administers (ex-
8 cept for requirements related to fair housing, non-
9 discrimination, labor standards, and the environment)
10 upon a determination by the Secretary that such waiver
11 is appropriate to carry out the pilot program under this
12 section.

13 (k) MONITORING AND REPORTING.—

14 (1) MONITORING.—The Secretary shall provide
15 for such monitoring of the pilot program, investors
16 participating in the pilot program, and shared equity
17 arrangements entered into under the pilot program
18 as may be necessary to determine the effectiveness
19 of the pilot program and of the structure of, and re-
20 quirements under, the pilot program.

21 (2) REPORTS TO CONGRESS.— Not later than
22 the expiration of the 18-month period beginning on
23 the date of the enactment of this Act, the Comp-
24 troller General of the United States shall submit a
25 report to the Congress analyzing effectiveness of the

- 1 pilot program and making recommendations regard-
- 2 ing expansion of the pilot program and improve-
- 3 ments for the pilot program.

