

**AMENDMENT TO H.R. 5121**  
**OFFERED BY MR. NEY OF OHIO AND MS. WATERS**  
**OF CALIFORNIA**

Page 4, strike lines 6 through 19 and insert the following:

1           (1) by striking subparagraphs (A) and (B) and  
2           inserting the following new subparagraphs:

3                   “(A) not to exceed the lesser of—

4                           “(i) in the case of a 1-family resi-  
5                           dence, the median 1-family house price in  
6                           the area, as determined by the Secretary;  
7                           and in the case of a 2-, 3-, or 4-family resi-  
8                           dence, the percentage of such median  
9                           price that bears the same ratio to such me-  
10                          dian price as the dollar amount limitation  
11                          in effect under section 305(a)(2) of the  
12                          Federal Home Loan Mortgage Corporation  
13                          Act (12 U.S.C. 1454(a)(2)) for a 2-, 3-, or  
14                          4-family residence, respectively, bears to  
15                          the dollar amount limitation in effect  
16                          under such section for a 1-family resi-  
17                          dence; or

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1                   “(ii) the dollar amount limitation de-  
2                   termined under such section 305(a)(2) for  
3                   a residence of the applicable size;  
4                   except that the dollar amount limitation in ef-  
5                   fect for any area under this subparagraph may  
6                   not be less than the greater of (I) the dollar  
7                   amount limitation in effect under this section  
8                   for the area on October 21, 1998, or (II) 65  
9                   percent of the dollar limitation determined  
10                  under such section 305(a)(2) for a residence of  
11                  the applicable size; and”.

Page 5, line 4, strike “the semi-colon in the first sentence” and inserting “the second sentence (relating to a definition of ‘average closing cost’)”.

Page 6, line 18, strike “mortgagor” and insert “mortgagee”

Page 17, line 4, before “Section” insert “(a) IN GENERAL.—”.

Page 18, after line 10, insert the following new subsection:

12                  (b) STUDY REGARDING MORTGAGE INSURANCE PRE-  
13 MIUMS.—The Secretary of Housing and Urban Develop-  
14 ment shall conduct a study regarding mortgage insurance  
15 premiums charged under the program under section 255

1 of the National Housing Act (12 U.S.C. 1715z-20) for in-  
2 surance of home equity conversion mortgages to analyze  
3 and determine—

4 (1) the effects of reducing the amounts of such  
5 premiums from the amounts charged as of the date  
6 of the enactment of this Act on—

7 (A) costs to mortgagors; and

8 (B) the financial soundness of the pro-  
9 gram; and

10 (2) the feasibility and effectiveness of exempt-  
11 ing, from all the requirements under the program re-  
12 garding payment of mortgage insurance premiums  
13 (including both up-front or annual mortgage insur-  
14 ance premiums under section 203(c)(2) of such Act),  
15 any mortgage insured under the program under  
16 which part or all of the amount of future payments  
17 made to the homeowner are used for costs of a long-  
18 term care insurance contract covering the mortgagor  
19 or members of the household residing in the mort-  
20 gaged property.

21 Not later than the expiration of the 12-month period be-  
22 ginning on the date of the enactment of this Act, the Sec-  
23 retary shall submit a report to the Congress setting forth  
24 the results and conclusions of the study.

Page 19, after line 12, insert the following new sections (and redesignate succeeding sections and any references to such sections, accordingly)::

1 **SEC. 15. PARTICIPATION OF MORTGAGE BROKERS AND**  
2 **CORRESPONDENT LENDERS.**

3 (a) DEFINITIONS.—

4 (1) IN GENERAL.—Section 201 of the National  
5 Housing Act (12 U.S.C. 1707) is amended—

6 (A) by striking “As used in section 203 of  
7 this title—” and inserting “As used in this title  
8 and for purposes of participation in insurance  
9 programs under this title, except as specifically  
10 provided otherwise, the following definitions  
11 shall apply:”;

12 (B) by striking subsection (b) and insert-  
13 ing the following:

14 “(2) The term ‘mortgagee’ means any of the  
15 following entities, and its successors and assigns, to  
16 the extent such entity is approved by the Secretary:

17 “(A) A lender or correspondent lender,  
18 who—

19 “(i) makes, underwrites, and services  
20 mortgages;

21 “(ii) submits to the Secretary such fi-  
22 nancial audits performed in accordance

1 with the standards for financial audits of  
2 the Government Auditing Standards issued  
3 by the Comptroller of the United States;

4 “(iii) meet the minimum net worth re-  
5 quirement that the Secretary shall estab-  
6 lish; and

7 “(iv) complies with such other re-  
8 quirements as the Secretary may establish.

9 “(B) A correspondent lender who—

10 “(i) closes a mortgage in its name but  
11 does not underwrite or service the mort-  
12 gage;

13 “(ii) posts a surety bond, in lieu of  
14 any requirement to provide audited finan-  
15 cial statements or meet a minimum net  
16 worth requirement, in—

17 “(I) a form satisfactory to the  
18 Secretary; and

19 “(II) an amount of \$75,000, as  
20 such amount is adjusted annually by  
21 the Secretary (as determined under  
22 regulations of the Secretary) by the  
23 change for such year in the Consumer  
24 Price Index for All Urban Consumers  
25 published monthly by the Bureau of

1 Labor Statistics of the Department of  
2 Labor; and

3 “(iii) complies with such other re-  
4 quirements as the Secretary may establish.

5 “(C) A mortgage broker who—

6 “(i) closes the mortgage in the name  
7 of the lender and does not make, under-  
8 write, or service the mortgage;

9 “(ii) is licensed, under the laws of the  
10 State in which the property that is subject  
11 to the mortgage is located, to act as a  
12 mortgage broker in such State;

13 “(iii) posts a surety bond in accord-  
14 ance with the requirements of subpara-  
15 graph (B)(ii); and

16 “(iv) complies with such other re-  
17 quirements as the Secretary may establish.

18 “(3) The term ‘mortgagor’ includes the original  
19 borrower under a mortgage and the successors and  
20 assigns of the original borrower.”;

21 (C) by redesignating subsections (a), (c),  
22 (d), (e), and (f) as paragraphs (1), (4), (5), (6),  
23 and (7), respectively, and realigning such para-  
24 graphs two ems from the left margin.

1           (2) MORTGAGEE REVIEW.—Section 202(c)(7) of  
2 the National Housing Act (12 U.S.C. 1708(c)(7)) is  
3 amended—

4           (A) in subparagraph (A), by inserting “, as  
5 defined in section 201,” after “mortgagee”;

6           (B) by striking subparagraph (B); and

7           (C) by redesignating subparagraphs (C) and  
8 (D) as subparagraphs (B) and (C), respectively.

9           (3) MULTIFAMILY RENTAL HOUSING INSUR-  
10 ANCE.—Section 207(a)(2) of the National Housing  
11 Act (12 U.S.C. 1713(a)(2)) is amended by striking  
12 “means the original lender under a mortgage, and  
13 its successors and assigns, and” and inserting “has  
14 the meaning given such term in section 201, except  
15 that such term also”.

16           (4) WAR HOUSING INSURANCE.—Section 601(b)  
17 of the National Housing Act (12 U.S.C. 1736(b)) is  
18 amended by striking “includes the original lender  
19 under a mortgage, and his successors and assigns  
20 approved by the Secretary” and inserting “has the  
21 meaning given such term in section 201”.

22           (5) ARMED SERVICES HOUSING MORTGAGE IN-  
23 SURANCE.—Section 801(b) of the National Housing  
24 Act (12 U.S.C. 1748(b)) is amended by striking “in-  
25 cludes the original lender under a mortgage, and his

1 successors and assigns approved by the Secretary”  
2 and inserting “has the meaning given such term in  
3 section 201”.

4 (6) GROUP PRACTICE FACILITIES MORTGAGE  
5 INSURANCE.—Section 1106(8) of the National  
6 Housing Act (12 U.S.C. 1749aaa-5(8)) is amended  
7 by striking “means the original lender under a mort-  
8 gage, and his successors and assigns, and” and in-  
9 serting “has the meaning given such term in section  
10 201, except that such term also”.

11 (b) ELIGIBILITY FOR INSURANCE.—

12 (1) TITLE I.—Paragraph (1) of section 8(b) of  
13 the National Housing Act (12 U.S.C. 1706c(b)(1))  
14 is amended—

15 (A) by striking “, and be held by,”; and

16 (B) by striking “as responsible and able to  
17 service the mortgage properly”.

18 (2) SINGLE FAMILY HOUSING MORTGAGE IN-  
19 SURANCE.—Paragraph (1) of section 203(b) of the  
20 National Housing Act (12 U.S.C. 1709(b)(1)) is  
21 amended

22 (A) by striking “, and be held by,”; and

23 (B) by striking “as responsible and able to  
24 service the mortgage properly”.

1           (3) SECTION 221 MORTGAGE INSURANCE.—  
2 Paragraph (1) of section 221(d) of the National  
3 Housing Act (12 U.S.C. 1715l(d)(1)) is amended—

4                   (A) by striking “ and be held by”; and

5                   (B) by striking “as responsible and able to  
6 service the mortgage properly”.

7           (4) HOME EQUITY CONVERSION MORTGAGE IN-  
8 SURANCE.—Paragraph (1) of section 255(d) of the  
9 National Housing Act (12 U.S.C. 1715z-20(d)(1)) is  
10 amended by striking “as responsible and able to  
11 service the mortgage properly”.

12           (5) WAR HOUSING MORTGAGE INSURANCE.—  
13 Paragraph (1) of section 603(b) of the National  
14 Housing Act (12 U.S.C. 1738(b)(1)) is amended—

15                   (A) by striking “, and be held by,”; and

16                   (B) by striking “as responsible and able to  
17 service the mortgage properly”.

18           (6) WAR HOUSING MORTGAGE INSURANCE FOR  
19 LARGE-SCALE HOUSING PROJECTS.—Paragraph (1)  
20 of section 611(b) of the National Housing Act (12  
21 U.S.C. 1746(b)(1)) is amended—

22                   (A) by striking “ and be held by”; and

23                   (B) by striking “as responsible and able to  
24 service the mortgage properly”.

1           (7) GROUP PRACTICE FACILITY MORTGAGE IN-  
2           SURANCE.—Section 1101(b)(2) of the National  
3           Housing Act (12 U.S.C. 1749aaa(b)(2)) is  
4           amended—

5                     (A) by striking “ and held by”; and

6                     (B) by striking “as responsible and able to  
7           service the mortgage properly”.

8           (8) NATIONAL DEFENSE HOUSING INSUR-  
9           ANCE.—Paragraph (1) of section 903(b) of the Na-  
10          tional Housing Act (12 U.S.C. 1750b(b)(1)) is  
11          amended—

12                    (A) by striking “, and be held by,”; and

13                    (B) by striking “as responsible and able to  
14          service the mortgage properly”.

15   **SEC. 16. SENSE OF CONGRESS REGARDING TECHNOLOGY**  
16                           **FOR FINANCIAL SYSTEMS.**

17          (a) CONGRESSIONAL FINDINGS.—The Congress finds  
18          the following:

19                   (1) The Government Accountability Office has  
20          cited the FHA single family housing mortgage insur-  
21          ance program as a “high-risk” program, with a pri-  
22          mary reason being non-integrated and out-dated fi-  
23          nancial management systems.

24                   (2) The “Audit of the Federal Housing Admin-  
25          istration’s Financial Statements for Fiscal Years

1 2004 and 2003”, conducted by the Inspector Gen-  
2 eral of the Department of Housing and Urban De-  
3 velopment reported as a material weakness that  
4 “HUD/FHA’s automated data processing [ADP]  
5 system environment must be enhanced to more effec-  
6 tively support FHA’s business and budget proc-  
7 esses”.

8 (3) Existing technology systems for the FHA  
9 program have not been updated to meet the latest  
10 standards of the Mortgage Industry Standards  
11 Maintenance Organization and have numerous defi-  
12 ciencies that lenders have outlined.

13 (4) Improvements to technology used in the  
14 FHA program will—

15 (A) allow the FHA program to improve the  
16 management of the FHA portfolio, garner  
17 greater efficiencies in its operations, and lower  
18 costs across the program;

19 (B) result in efficiencies and lower costs  
20 for lenders participating in the program, allow-  
21 ing them to better use the FHA products in ex-  
22 tending homeownership opportunities to higher  
23 credit risk or lower-income families, in a sound  
24 manner

1           (5) The Mutual Mortgage Insurance Fund op-  
2           erates without cost to the taxpayers and generates  
3           revenues for the Federal Government.

4           (b) SENSE OF CONGRESS.—It is the sense of the  
5 Congress that—

6           (1) the Secretary of Housing and Urban Devel-  
7           opment should use a portion of the funds received  
8           from premiums paid for FHA single family housing  
9           mortgage insurance that are in excess of the  
10          amounts paid out in claims to substantially increase  
11          the funding for technology used in such FHA pro-  
12          gram;

13          (2) the goal of this investment should be to  
14          bring the technology used in such FHA program to  
15          the level and sophistication of the technology used in  
16          the conventional mortgage lending market, or to ex-  
17          ceed such level; and

18          (3) the Secretary of Housing and Urban Devel-  
19          opment should report to the Congress not later than  
20          180 days after the date of the enactment of this Act  
21          regarding the progress the Department is making  
22          toward such goal and if progress is not sufficient,  
23          the resources needed to make greater progress.