

**THE HOUSING & ECONOMIC RECOVERY ACT OF 2008**  
**H.R. 3221**  
**(DETAILED SUMMARY)**

DIVISION A. TITLE I—REFORM OF REGULATION OF ENTERPRISES

Subtitle A – Improvement of Safety and Soundness Supervision. Establishes the Federal Housing Finance Agency (FHFA), an independent agency, to oversee Fannie Mae, Freddie Mac and the Federal Home Loan Banks. Empowers FHFA with broad supervisory and regulatory powers over the operations, activities, corporate governance, safety and soundness, and mission of the GSEs. Provides new and more flexible authority to establish minimum and risk-based capital requirements.

The bill increases Treasury's authority under existing lines of credit to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks for the next 18 months, giving Treasury standby authority to buy stock or debt in those companies.

- To use the authority, the Secretary must make an emergency determination that use of the authority is necessary to stabilize markets, prevent disruptions in mortgage availability, and protect the taxpayer.
- To protect taxpayers, the Treasury is directed to consider the need for priorities or preferences for the government, limitations on dividends, executive compensation or other uses of resources.
- The authority also provides enhanced oversight of the enterprises while standby facility is in place, with the Federal Reserve consulting with the new regulator on the safety and soundness of and risks posed by the GSEs.
- As part of the enhanced oversight the new regulator must specifically approve, disapprove or modify executive compensation at all of the GSEs.

Subtitle B—Improvement of Mission Supervision. Streamlines the GSE affordable housing goals to focus on priority affordable housing needs by setting single family and multifamily goal requirements at 80% of median income and 50% of median income, to better align with CRA requirements. Creates a duty on the part of GSEs to serve the underserved markets of manufactured housing, housing preservation and rural housing, with evaluations to ensure the GSE are providing affordable credit to such markets. Creates a housing goal to exclusively measure GSE performance in making refinance loans for low income homebuyers.

Also raises the GSE loan limits in high cost areas (to 115% of the local area median home price, not to exceed a nationwide loan ceiling of \$625,500), and establishes an affordable housing fund.

Provides for Affordable Housing Programs, which includes the creation of a permanent Housing Trust Fund to increase and preserve the supply of rental housing and homeownership opportunities for extremely low and very low income families. Establishes a Capital Magnet Fund to attract private capital and increased investment for the development and preservation of affordable housing and economic development.

Subtitle C—Prompt Corrective Action. Provides new authority to establish critical capital levels and capital classifications, and specifies supervisory actions to be taken regarding undercapitalized, significantly undercapitalized and critically undercapitalized regulated entities. Provides expanded conservatorship and receivership authority similar to that of federal bank regulators.

Subtitle D—Enforcement Actions. Empowers the FHFA with clear enforcement authority including cease and desist, removal, subpoena and civil money penalty authority.

Subtitle E—General Provisions. Eliminates the presidentially-appointed directors of the enterprises and establishes the effective date of the Title.

## TITLE II—FEDERAL HOME LOAN BANKS

This title includes provisions transferring supervisory and regulatory authority to oversee the Federal Home Loan Bank System to the FHFA, and requires the FHFA, in regulating the Federal Home Loan Banks (FHLBs), to recognize the distinctions between the enterprises and the FHLBs.

Also clarifies the ability of the FHLBs to voluntarily merge, and provides clear regulatory authority regarding the liquidation or reorganization of a FHLB. Provides temporary authority for the FHLB members to use a portion of the FHLBs affordable housing program funds (to be established by regulation) to help refinance mortgages for borrowers at risk of foreclosure.

## TITLE III—TRANSFER OF FUNCTIONS, PERSONNEL, AND PROPERTY OF OFHEO AND THE FEDERAL HOUSING FINANCE BOARD

This title abolishes the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board, provides for continuation and coordination of actions during the transition between agencies, and establishes the process for and rights of employees in the transfer of functions, resources and personnel of the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board into the FHFA.

## TITLE IV—HOPE FOR HOMEOWNERS

This title establishes the “Hope for Homeowners Program” to enable the Federal Housing Administration (FHA) to refinance the mortgages of at-risk borrowers living in their only home if (1) mortgage holders write-down the principal of the mortgage; (2) borrowers agree to share future equity with the federal government; and (3) the borrower can afford to repay the new loan. This title also clarifies the fiduciary duty of mortgage servicers when making loan modifications; and improves appraisal standards for FHA loans.

## TITLE V—S.A.F.E. MORTGAGE LICENSING ACT

This title establishes and sets minimum standards for a nationwide mortgage licensing and registration system for mortgage brokers and bank loan officers.

## TITLE VI—MISCELLANEOUS

This title contains a host of miscellaneous provisions including a study and reports on guarantee fees, a study and report on default risk evaluation, clarification on bridge depository institutions and other language.

### DIVISION B. TITLE I—FHA MODERNIZATION ACT OF 2008

This title includes important reforms to modernize the FHA program, including FHA single family loans, FHA personal property manufactured homes, and FHA reverse mortgage loans. The title raises FHA loan limits in high cost areas, by setting the limit in such areas at 115% of the local area median home price, not to exceed a nationwide loan ceiling of \$625,500 (150% of the GSE conforming loan limit).

The title makes a number of changes to FHA reverse mortgages for seniors who want to access equity in their homes. It creates a higher, nationwide uniform loan limit equal to \$625,500, reduces and caps the maximum fee lenders can charge seniors for FHA reverse mortgage loans, establishes protections to prohibit requiring seniors to purchase other financial products in conjunction with FHA reverse mortgage loans, and authorizes reverse mortgage loans for the first to be eligible for home purchase.

This title modernizes the FHA Title 1 manufactured loan program, which provides affordable mortgage loans for manufactured homes on leased land, by raising program loan limits to keep up with inflation, restructuring the program more like title 1 loans to make loans more securitizable in the secondary market, and by requiring HUD to revise underwrite standards to make the program fiscally sound.

The title also includes a one-year moratorium on FHA risk-based pricing, effective October 1<sup>st</sup>, and eliminates the FHA seller-funding Gift Downpayment Program, effective October 1<sup>st</sup>.

### TITLE II—MORTGAGE FORECLOSURE PROTECTIONS FOR SERVICEMEMBERS

This title temporarily increases the maximum loan guaranty amount for certain VA loans, provides for counseling on mortgage foreclosures for members of the Armed Forces returning from service abroad, and enhanced of protections for servicemembers relating to mortgages and mortgage foreclosures.

### TITLE III—EMERGENCY ASSISTANCE FOR THE REDEVELOPMENT OF ABANDONED AND FORECLOSED HOMES

This title provides for \$4 billion in emergency assistance to states and cities for the redevelopment of abandoned and foreclosed homes, including \$80 million for pre-foreclosure counseling. Combined with Title IV, the bill provides a total \$180 million for counseling.

### TITLE IV—HOUSING COUNSELING RESOURCES

This title provides for \$100 million to the Neighborhood Reinvestment Corporation to remain available until December 31, 2008, for foreclosure mitigation activities and at-risk borrower outreach.

### TITLE V—MORTGAGE DISCLOSURE IMPROVEMENT ACT

This title provides enhanced mortgage disclosures to consumers, particularly regarding variable rate loans; and clarifies the community development investment authority for depository institutions.

### TITLE VI—VETERANS HOUSING MATTERS

This title provides assistance for veterans housing, including permitting the Secretary of Defense to provide home improvements and structural alterations for permanently disabled members of the Armed Forces before being discharged or release from the Armed Forces; specifically adapted housing assistance for individuals with severe burn injuries; and other provisions.

### TITLE VII—SMALL PUBLIC HOUSING AUTHORITIES PAPERWORK REDUCTION ACT

This title reduces certain paperwork and reporting requirements for small public housing authorities.

### TITLE VIII—HOUSING PRESERVATION

This title provides assistance for the rehabilitation and preservation of several federally assisted multifamily affordable housing properties. It also includes legislation to help provide public housing disaster relief. Language to increase the coordination of federal housing programs with the Low Income Housing Tax Credit program is also included.

### TITLE IX – MISCELLANEOUS

This title amends McKinney-Vento Homeless Assistance Act (which deals with the education of children and youth experiencing homelessness in U.S. public schools) by (1) increasing authorization from \$70 million to \$100 million per year, and (2) requiring

emergency assistance to homeless children and their families who have become homeless due to foreclosure.

This title also requires HUD, in conjunction with the Department of Energy and EPA, to develop recommendations within 180 days of enactment to eliminate barriers to increasing availability of energy efficient mortgages. Requires a report to Congress by HUD. Requires HUD, in consultation and coordination with the Department of Energy, EPA, and state energy and housing finance directors, to carry out an education and outreach campaign.

#### DIVISION C – TAX RELATED PROVISIONS

This division has been summarized separately by the House Ways and Means Committee.