

**PART II GSE REFORM BILLS COMPARED – AFFORDABLE HOUSING PROVISIONS**

<b>SUBJECT</b>	<b>S. 2391 As INTRODUCED NOVEMBER 16, 2007</b>	<b>S. 1100 As INTRODUCED APRIL 12, 2007</b>	<b>H.R. 1427 As PASSED BY THE HOUSE MAY 22, 2007</b>
<b>Affordable Housing Reports</b>	<p>Section 1324</p> <p>The Secretary shall prepare and submit to Congress annually a new report concerning the activities of each enterprise including (1) the extent and manner in which each GSE is achieving the housing goals, is complying with the duty to serve underserved markets and is achieving the statutory purposes. In collecting data for this report, the Director shall identify activities involving subprime loans and compare the subprime loans purchased by the enterprises to other loans purchased by enterprises.</p> <p>To assist in preparing the new report, the Secretary shall conduct monthly surveys of mortgage markets, including data on individual mortgages eligible for purchase by the enterprises as well as those not eligible for purchase. This would involve data on house prices, loan to value ratios, mortgage terms, borrower creditworthiness, etc.</p> <p>The Secretary must also collect data on individual subprime mortgages and borrowers and determine whether the borrowers would qualify for prime loans.</p>		<p>Section 134</p> <p>The Director shall prepare and submit to Congress annually a new report concerning performance and activities against housing goals as well as a number other studies including studies that (1) "examine the primary and secondary multifamily housing mortgage markets" and factors inhibiting standardization and securitization, (2) examine actions taken for first-time homebuyers, (3) analyze pricing trends, and (4) compare the subprime loans purchased by the enterprises to other loans purchased by enterprises.</p> <p>To assist in preparing the new report, the Director shall conduct monthly surveys of mortgage markets, including data on individual mortgages eligible for purchase by the enterprises as well as those not eligible for purchase. This would involve data on house prices, loan to value ratios, mortgage terms, borrower creditworthiness, etc.</p> <p>The Director shall issue regulations defining "subprime" but only for the purposes of this section.</p> <p>Section 135</p> <p>To obtain information helpful in applying the formula for the Affordable Housing Fund, the regulated entities must conduct an annual study "to determine the levels of affordable housing inventory, and the changes in such levels, in communities throughout the United States."</p> <p>Results of the study must be made public.</p>
<b>Mortgagor Identification</b>	No similar provision	No similar provision	<p>Section 136</p> <p>The Director must issue regulations prohibiting the enterprises from dealing with any mortgage on a 1-4 family residence unless the mortgagor has a social security number.</p>
<b>Affordable Housing Goals</b>	<p>Section 1331 - 1334</p> <p>The Secretary, in implementing the goals, shall</p>	<p>Section 124</p> <p>Transfers authority from HUD to the Director for</p>	<p>Section 137</p> <p>The Director, in implementing the goals, may</p>

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	<p>review data to assess disparities between interest rates on loans to minorities and nonminorities of similar creditworthiness. If a pattern of disparities exists, the Secretary must refer the finding to the appropriate Congressional committees and require the enterprise to undertake remedial action, if appropriate.</p> <p>Repeals existing goals and replaces them with six single-family goals and one multifamily goal. Goals are annual. There are also multifamily “special requirements.”</p> <p><u>Single-family goals.</u> The single-family goals are:</p> <ul style="list-style-type: none"> <li>• Low-income families (80% of area median income (AMI))</li> <li>• Families in low income areas, and</li> <li>• Very low income families (50% AMI)</li> </ul> <p>Qualifying loans are <u>purchase money</u>, conventional, conforming, and the property must be owner-occupied.</p> <p>The goals have to be set as a percentage of the enterprises’ business. In setting the goals, the Secretary shall consider (1) national housing needs, (2) economic, housing and demographic conditions (3) the performance of the GSEs in previous years, (4) the ability to “lead the industry”, (5) recent HMDA data, (6) the size of the conventional market, and (7) the need to maintain the GSE’s sound financial condition. For goals purposes, borrower income is measured as of origination.</p> <p><u>Single-family refinance goals</u> These goals mirror the single family goals above except they relate to loans to pay off or prepay an existing loan for each of the three categories.</p> <p><u>Multifamily goal</u> There is one multifamily goal, which includes:</p> <ul style="list-style-type: none"> <li>• Loans on units for very low-income families, (50% AMI); and</li> </ul>	<p>affordable housing goals. Retains HUD’s authority for fair housing.</p> <p>Section 127 Requires the Director, by regulation, to require the enterprises to make public the same information on single-family loans that HMDA requires lenders to report.</p> <p>Retains the three existing goals with some modifications, adds a home purchase goal, permits the Director to establish new goals and to modify or rescind the existing goals.</p> <p>The three existing goals remain, but some of the underlying definitions are changed.</p> <ul style="list-style-type: none"> <li>• <u>The low- and moderate-income (LMI) goal</u> currently requires the enterprises to buy loans on housing for LMI families, defined as families at or below 100% of area median income (AMI). This bill would lower the LMI definition to no more than 80% of AMI.</li> <li>• <u>The special affordable goal</u> currently requires the enterprises to purchase loans on housing for low-income families in low-income areas, and loans to very low income families. This bill would leave the goal in place but change the definitions, as follows: <ul style="list-style-type: none"> <li>○ Low-income would change from 80% of AMI to 50%;</li> <li>○ The definition of median income would change also.</li> </ul> </li> </ul> <p>Currently, median income is set by “areas” that HUD defines. The definition would change to be set as median income for a metropolitan statistical area (MSA) for families in MSAs, and for other families, the statewide non-metropolitan median family income.</p> <ul style="list-style-type: none"> <li>• <u>The underserved areas goal</u> currently requires the enterprises to buy loans on housing for families in central cities, rural areas, and other underserved areas. This bill would add a</li> </ul>	<p>review data to assess disparities between interest rates on loans to minorities and nonminorities of similar creditworthiness. If a pattern of disparities exists with respect to any lender or lenders, the Director must refer the finding to the appropriate regulatory or enforcement agency, require the enterprise to submit additional, relevant data on a lender or lenders, and require the enterprise to undertake remedial action, if appropriate.</p> <p>Repeals existing goals and replaces them with three single-family goals and one multifamily goal. Goals are annual. There is also one single-family subgoal, and there are multifamily “special requirements.”</p> <p><u>Single-family goals.</u> The single-family goals are:</p> <ul style="list-style-type: none"> <li>• Low-income families (80% of area median income (AMI))</li> <li>• Families in low income areas, and</li> <li>• Very low income families (50% AMI)</li> </ul> <p>Qualifying loans are <u>purchase money</u>, conventional, conforming, and the property must be owner-occupied or 1-4 rental.</p> <p>The goals have to be set as a percentage of the enterprises’ business. They are set at a base level, and the Director has some authority to raise them and lower them. The base level for each goal is set at the same percentage that loans qualifying for that goal are of the entire market. That is, if low-income loans make up X% of the market, the low-income base goal is X%. The percentage is measured using the average percentage for the three most recent years for which HMDA data are public. The market is defined as conventional, conforming, single-family, owner-occupied and 1-4 family rental, purchase money loans. For goals purposes, the Director determines what a conforming loan is by the original principal balance as reported in HMDA data. Borrower income is</p>

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	<p>• Loans on dwelling units assisted by low-income housing tax credits. It is unclear whether there are two subgoals within the goal.</p> <p>The Secretary may give full credit toward the goal for qualifying dwelling units financed by bonds (taxable or not) that state or local housing finance agencies issue, but only if the enterprise either: guarantees the bond; or purchases it and it is not investment grade. (There is no prohibition against a GSE receiving full credit for private MBS regardless of whether the securities are investment grade, as under current law.)</p> <p>The Secretary would have to create “additional requirements” for small multifamily housing projects. Small may be based on number of units (5 to 50) or loan size (up to \$5 million).</p> <p>Among the factors used to set the multifamily goal, must be the ability of the enterprise to lead the industry in underserved markets “such as for small multifamily projects, multifamily properties in need of preservation and rehabilitation and multifamily properties located in rural areas”.</p> <p>For the multifamily goal, income must be measured by the income of actual or prospective tenants if data are available, and otherwise by rent levels affordable to low-income and very low-income families.</p> <p>A rent level is affordable for its income category if the rent level is no more than 30% of the top of that income category, adjusted for unit size.</p> <p>In establishing the multifamily goal, the Secretary may consider loans on single-family rental housing purchased by an enterprise.</p> <p><u>Decreases in goals</u></p> <p>Upon petition by an enterprise (but not others), the Secretary may reduce any goal, but not an additional requirement, only if:</p> <ul style="list-style-type: none"> <li>• Reduction is required by market and economic</li> </ul>	<p>definition of “underserved.” (This new definition applies only to this goal, and not to the home purchase goal, or to the housing duties described in the next entry.) An underserved area is an urban census tract with “average media n” income less than 80% of area median income, or an urban census tract with median family income less than area median and a minority population of at least 30%.</p> <p>Section 129</p> <p>There is a <u>new home purchase goal</u> for owner-occupied single-family homes. The Director sets it by regulation. It must be annual, and may have “components,” including for first-time homebuyers, LMI borrowers, homebuyers in central cities and in rural and other underserved areas and homebuyers who finance through state or local affordable housing programs. Components are enforceable.</p> <p>The Director can <u>add, modify, or rescind goals</u> to address national housing needs where the housing need is greatest. The goals could be set as percentage-of-business, as dollar goals, or by other means. In any event, the goals would need to be consistent with the enterprises’ missions and authorizing statutes.</p> <p><u>Enforcement authority.</u></p> <p>The Director would have somewhat more enforcement authority compared to current law. Currently, if HUD determines that an enterprise has failed a goal or that failure is probable, it gives written notice to the enterprise, which has an opportunity to respond in writing. HUD considers the response, and determines whether the enterprise has failed or will probably fail a goal that is feasible to meet. HUD then requires the enterprise to submit a housing plan describing how the enterprise will come into compliance. Failure to submit or comply with the plan can be the basis for a cease and desist order or civil money penalty. Failure to meet a goal, alone, cannot be the basis</p>	<p>measured as of origination.</p> <p><u>Single-family subgoals</u></p> <p>These goals, which are subgoals of each of the single family goals, are for the refinance of owner-occupied or 1-4 rental units. The subgoals are enforceable in the same manner that the goals are enforceable.</p> <p><u>Multifamily goal</u></p> <p>There is one multifamily goal, which includes:</p> <ul style="list-style-type: none"> <li>• Loans on dwelling units for low-income families (80% AMI)</li> <li>• Loans on units for very low-income families, (50% AMI) and</li> <li>• Loans on dwelling units assisted by low-income housing tax credits.</li> </ul> <p>It appears that there are three subgoals within the goal.</p> <p>The Director must give full credit toward the goal for qualifying dwelling units financed by bonds (taxable or not) that state or local housing finance agencies issue, only if the enterprise either: guarantees the bond; or purchases it and it is not investment grade. (It appears that the GSEs can continue to get full credit for private MBS regardless of whether the securities are investment grade, as under current law.)</p> <p>The Director would have to create “additional requirements” for small multifamily housing projects. Small may be based on number of units or loan size, or both, but the requirement must include projects of a size typical in rural areas.</p> <p>For the multifamily goal, income must be measured by the income of actual or prospective tenants if data are available, and otherwise by rent levels affordable to low-income and very low-income families.</p> <p>A rent level is affordable for its income category if the rent level is no more than 30% of the top of that</p>

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	<p>conditions or enterprise financial condition, or</p> <ul style="list-style-type: none"> <li>• Meeting the goal would constrain liquidity, over-invest in market segments, or otherwise be contrary to the enterprises' statutory purposes.</li> </ul> <p>There is no provision for increasing the goals.</p> <p><u>Income definitions</u></p> <p><i>Low income area</i> is a census tract or block numbering area at 80% or less of AMI in the area where the census tract or block numbering area is. For purposes of the single-family low-income areas goal, it includes families in those areas with incomes no more than 100% of AMI who live in minority census tracts.</p> <p><i>Very low Income</i> The definition of very low-income is decreased from 60% of AMI to 50%.</p> <p><i>Extremely low income</i> is 30% or less of AMI.</p> <p><u>Compliance determinations</u></p> <p>After year-end, the Director determines whether the enterprises meet their single-family goals, and must give its determination to each enterprise within 30 days of making it. The Director cannot make it public before giving it to the enterprise. Each enterprise has 30 days to comment on the determination.</p> <p>For the multifamily goal and additional requirements, the Director simply determines compliance.</p> <p><u>Special Counting Requirements</u></p> <p>The Secretary shall determine whether an enterprise receives full, partial or no credit for a transaction. In making this determination, the Secretary must consider whether "the transaction or activity is substantially equivalent to a mortgage purchase and either (A) creates a new market, or (B) adds liquidity to an existing market, provided" that the purchase is not "contrary to good lending practices" and "actually fulfills the purposes of the enterprise and is in accordance with the chartering</p>	<p>for a cease and desist order or civil money penalty under current law. This bill:</p> <ul style="list-style-type: none"> <li>• Makes the housing plan step optional;</li> <li>• Permits the Director, in case of failure to meet a goal, to prohibit new activities, freeze any pending approval of new activities, or suspend ongoing activities, pending achieving the goal;</li> <li>• Permits the Director to issue a cease and desist order or to assess a civil money penalty for violating any order, rule, goal, duty, or other regulation relating to the housing goals or duties;</li> <li>• Changes civil money penalty amounts. Currently, penalties for failure to submit a housing plan can be up to \$25,000 per day, and for failure to comply with a plan or to submit annual housing reports can be up to \$10,000 per day. Penalties would be:             <ul style="list-style-type: none"> <li>o Up to \$100,000 per day for failure to meet a goal or submit or comply with a plan.</li> <li>o Up to \$50,000 per day for failure to submit housing reports or to comply with other housing orders, rules, duties, or regulations relating to the housing goals or duties.</li> </ul> </li> </ul>	<p>income category, adjusted for unit size.</p> <p>In establishing the multifamily goal, the Director must consider a number of factors. The factors are similar to those currently in §§ 1332 and 1334, including "ability of the enterprises to lead the industry," but the factor of "economic, housing, and demographic conditions" in current law is omitted.</p> <p><u>Increases and decreases in goals from base</u></p> <p>The Director may increase a single-family goal above the base, by regulation:</p> <ul style="list-style-type: none"> <li>• "to reflect expected changes in market performance related to" HMDA data; and</li> <li>• Upon considering a number of factors. The factors are similar to those currently §§ 1332 and 1334.</li> </ul> <p>Upon petition by an enterprise (but not others), the Director may reduce any goal, but not an additional requirement, only if:</p> <ul style="list-style-type: none"> <li>• Reduction is required by market and economic conditions or enterprise financial condition, or</li> <li>• Meeting the goal would constrain liquidity, over-invest in market segments, or otherwise be contrary to the enterprises' statutory purposes.</li> </ul> <p>Denial of a petition is judicially appealable.</p> <p><u>Income definitions</u></p> <p><i>Low income area</i> is a census tract or block numbering area at 80% or less of AMI in the area where the census tract or block numbering area is. For purposes of the single-family low-income areas goal, it includes families in those areas with incomes no more than 100% of AMI who live in minority census tracts.</p> <p><i>Very low Income</i> The definition of very low-income is decreased from 60% of AMI to 50%.</p> <p><i>Extremely low income</i> is 30% or less of AMI.</p>

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	<p>Act...”</p> <p><u>Monitoring and Enforcing the Goals</u></p> <p>The Secretary would have somewhat more enforcement authority compared to current law. Currently, if HUD determines that an enterprise has failed a goal or that failure is probable, it gives written notice to the enterprise, which has an opportunity to respond in writing. HUD considers the response, and determines whether the enterprise has failed or will probably fail a goal that is feasible to meet. HUD then requires the enterprise to submit a housing plan describing how the enterprise will come into compliance. Failure to submit or comply with the plan can be the basis for a cease and desist order or civil money penalty. Failure to meet a goal, alone, cannot be the basis for a cease and desist order or civil money penalty under current law. This bill:</p> <ul style="list-style-type: none"> <li>• Makes the housing plan step optional;</li> <li>• Permits the Secretary to issue a cease and desist order or to assess a civil money penalty for failure to meet a goal.</li> <li>• Permits the Secretary, in case of failure to meet a goal, to “exercise appropriate enforcement authority available to the Secretary under this Act.”</li> <li>• Changes civil money penalty amounts. Currently, penalties for failure to submit a housing plan can be up to \$25,000 per day, and for failure to comply with a plan or to submit annual housing reports can be up to \$10,000 per day. Penalties would be: <ul style="list-style-type: none"> <li>○ Up to \$50,000 per day for failure to meet a goal or submit or comply with a plan.</li> <li>○ Up to \$20,000 per day for failure to submit housing reports or to comply with other housing orders, rules, duties, or regulations</li> </ul> </li> </ul>		<p><u>Compliance determinations</u></p> <p>After year-end, the Director determines whether the enterprises meet their single-family goals, and must give its determination to each enterprise within 30 days of making it. The Director cannot make it public before giving it to the enterprise. Each enterprise has 30 days to comment on the determination.</p> <p>For the multifamily goal and additional requirements, the Director simply determines compliance.</p> <p><u>Monitoring and Enforcing the Goals (Section 139)</u></p> <p>The Director must give at least 125% credit toward the goals for mortgages that meet energy efficiency or other environmental standards and for mortgages that include a licensed childcare center.</p> <p>The Director may not consider any affordable housing fund grant amounts in determining compliance with the goals, but may consider purchases of loans that have otherwise received assistance from the affordable housing fund.</p> <p>The Director would have somewhat more enforcement authority compared to current law. Currently, if HUD determines that an enterprise has failed a goal or that failure is probable, it gives written notice to the enterprise, which has an opportunity to respond in writing. HUD considers the response, and determines whether the enterprise has failed or will probably fail a goal that is feasible to meet. HUD then requires the enterprise to submit a housing plan describing how the enterprise will come into compliance. Failure to submit or comply with the plan can be the basis for a cease and desist order or civil money penalty. Failure to meet a goal, alone, cannot be the basis for a cease and desist order or civil money penalty under current law. This bill:</p> <ul style="list-style-type: none"> <li>• Makes the housing plan step optional;</li> <li>• Permits the Director, in case of failure to meet a goal, to prohibit new products and new</li> </ul>

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	relating to the housing goals or duties.		activities, or suspend products and activities, pending achieving the goal;  • Permits the Director to issue a cease and desist order or to assess a civil money penalty for failure to meet a goal.
<b>Housing Duties</b>	<p>Section 1335</p> <p><u>Duty to serve underserved markets</u></p> <p>Creates a new duty for the enterprises to purchase or securitize mortgage investments and improve the distribution of investment capital available for mortgage financing for underserved markets.</p> <p><u>Requirements for duties</u></p> <p>To meet this duty, the enterprises must lead the industry in developing loan products and flexible underwriting guidelines to facilitate a secondary market:</p> <ol style="list-style-type: none"> <li>1. For loans on manufactured homes for very low, low-, and moderate-income families</li> <li>2. To preserve housing affordable to very low, low-, and moderate-income families, including projects subsidized under several federal programs (including projects subsidized under Section 8, 221(d)(3) BMIR, 236, 202, 811 and 515);</li> <li>3. For loans to low and moderate income subprime borrowers including “precluding the purchase of loans with unacceptable terms and conditions including (i) mandatory arbitration provisions; (ii) single premium credit insurance financed into the mortgage; (iii) unreasonable prepayment penalties and upfront fees; (iv) introductory rates that expire in less than 10 years; and (v) any other such loans with unacceptable terms and conditions, or which are contrary to good lending practices or to sustainable homeownership.</li> </ol>	<p>Section 128</p> <p><u>Duties</u></p> <p>Creates two new duties for the enterprises:</p> <ul style="list-style-type: none"> <li>• Increase the liquidity of mortgage investments; and</li> <li>• Improve the distribution of investment capital available for mortgage financing for underserved markets.</li> </ul> <p><u>Requirements for duties</u></p> <p>To meet these duties, the enterprises must lead the industry in developing loan products and flexible underwriting guidelines to facilitate a secondary market:</p> <ol style="list-style-type: none"> <li>1. For loans on manufactured homes for very low, low-, and moderate-income families;</li> <li>2. To preserve housing affordable to very low, low-, and moderate-income families, including projects subsidized under several federal housing programs (including projects subsidized under Section 8 housing, 236, 221(d)(3) BMIR; 202, 811 and 515)</li> <li>3. For mortgages for very low, low-, and moderate-income families in rural areas and other underserved market that the Director finds lacks adequate conventional credit. Underserved markets may be defined geographically or by borrower type or market segment; and</li> <li>4. For mortgages originated through State or local subsidized housing programs.</li> </ol> <p>Within 6 months of enactment, the Director must create a method of evaluating compliance with the</p>	<p>Section 138</p> <p><u>Duties</u></p> <p>Creates a new duty for the enterprises:</p> <ul style="list-style-type: none"> <li>• Increase the liquidity of mortgage investments; and improve the distribution of investment capital available for mortgage financing for underserved markets.</li> </ul> <p><u>Requirements for duties</u></p> <p>To meet these duties, the enterprises must lead the industry in developing loan products and flexible underwriting guidelines to facilitate a secondary market:</p> <ol style="list-style-type: none"> <li>1. For loans on manufactured homes for very low, low-, and moderate-income families (including loans secured by both real and personal property);</li> <li>2. To preserve housing affordable to very low, low-, and moderate-income families, including projects subsidized under several federal programs (including projects subsidized under Section 8, 221(d)(3) BMIR, 236, 202, 811 and 515);</li> <li>3. For mortgages for very low, low-, and moderate-income families in rural areas and other underserved markets that the Secretary (an undefined term) finds lacks adequate conventional credit. Underserved markets may be defined geographically or by borrower type or market segment.</li> </ol> <p>Within 6 months of the bill’s effective date, the Director must create a method of evaluating compliance with the duties which includes rating</p>

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	<p>4. For loans made or purchased by community development financial institutions.</p> <p>5. To assist depository institutions to meet CRA obligations.</p> <p>6. For mortgages for very low, low-, and moderate-income families in rural areas and other underserved markets that the Secretary finds lacks adequate conventional credit. Underserved markets may be defined geographically or by borrower type or market segment.</p> <p>Within 6 months of the bill's effective date, the Secretary must create a method of evaluating compliance with the duties which includes rating the performance of each enterprise on each of the duties.</p> <p>Duties are enforceable just as are the goals.</p>	<p>duties. Each duty must be separately evaluated. Duties are enforceable just as are the goals.</p>	<p>the performance of each enterprise on each of the duties.</p> <p>Duties are enforceable just as are the goals.</p>
<p><b>Affordable Housing Fund</b></p>	<p>Section 1337 Affordable Housing Allocation</p> <p><u>Contributions</u></p> <p>The enterprises must set aside an amount equal to 4.2 basis points for each dollar of "total new business purchases" and transfer 65% to the Secretary of HUD to fund an affordable housing block grant program and 35% to the Secretary of the Treasury to fund "the Capital Magnet Fund."</p> <p>The Secretary must temporarily suspend allocations upon finding that the allocations would:</p> <ul style="list-style-type: none"> <li>• Contribute to the enterprise's financial instability;</li> <li>• Cause the enterprise to be undercapitalized, or</li> <li>• Prevent the enterprise from completing a capital restoration plan.</li> </ul> <p>The Secretary must issue regulations prohibiting the enterprises from "redirecting the costs..., through increased charges or fees, or decreased premiums, or in any other manner, to the originators of mortgages purchased or securitized by the enterprise."</p>	<p>No provision.</p>	<p>Section 140</p> <p>The Director, in consultation with the HUD Secretary, shall "establish and manage" a fund from "amounts allocated by the enterprises".</p> <p><u>Fund purposes</u></p> <p>Its purposes are to provide formula grants to grantees to use to:</p> <ul style="list-style-type: none"> <li>• Increase homeownership for extremely low (30% of AMI) and very low-income (50% of AMI or in rural areas below the poverty line) families;</li> <li>• Increase housing investment in low income areas and areas of chronic economic stress;</li> <li>• Increase and preserve the supply of rental and owner-occupied housing for extremely low- and very low-income families;</li> <li>• Increase investment in "public infrastructure development in connection with housing assisted" by the AHF; and</li> <li>• "leverage investments from other sources in affordable housing and in public infrastructure development in connection with housing assisted" by the AHF.</li> </ul>

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	<p><u>Block Grant Program</u> It's purposes are to provide formula grants to States to use to:</p> <ul style="list-style-type: none"> <li>• Increase homeownership for extremely low (30% of AMI) and very low-income (50% of AMI or in rural areas below the poverty line) families;</li> <li>• Increase and preserve the supply of rental housing for extremely low- and very low-income families including homeless families.</li> </ul> <p><u>Allocation of Funds</u> For 2008, all of the available block grant program funds must be used for grants to States to facilitate modifications and refinance options for low and moderate income borrowers facing foreclosure and make available foreclosed properties to low and moderate income homebuyers.</p> <p>The distribution of funds shall be done by formula based upon population, delinquency rate and ratio of foreclosures to owner-occupied units. Specific requirements are included for the types of loans and types of homeowners to be assisted. Up to 20% of the funds may be used to provide loans to non-profit developers to assist homebuyers in purchasing foreclosed properties.</p> <p>In 2009 and subsequent years the HUD Secretary would establish a formula for distribution of the funds to States. The formula would be based on several specific factors. Grant amounts could be allocated to "a State housing finance agency, housing and community development entity, tribally designated housing entity, or other qualified instrumentality of the grantee."</p> <p>Each year, each grantee must establish an allocation plan for distribution of the grants and accept public comments on the plan.</p>		<p><u>Contributions</u> The enterprises must put money into the AHF in each of 2007 through 2011 in an amount equal to "1.2 basis points for each dollar of the average total mortgage portfolio of the enterprise during the preceding year". Allocations would not be required after 2011. The Director must temporarily suspend allocations upon finding that the allocations would:</p> <ul style="list-style-type: none"> <li>• Contribute to the enterprise's financial instability;</li> <li>• Cause the enterprise to be undercapitalized, or</li> <li>• Prevent the enterprise from completing a capital restoration plan.</li> </ul> <p>The Director must issue regulations prohibiting the enterprises from "redirecting such costs, through increased charges or fees, or decreased premiums, or in any other manner, to the originators of mortgages purchased or securitized by the enterprise."</p> <p><u>Allocation of Funds</u> If Congress establishes another affordable housing trust fund, the money allocated to this fund would be transferred to that fund.</p> <p>For 2007, the Louisiana HFA would receive 75% of available funds and the Mississippi Development Authority would receive 25%. The funds must be used for otherwise eligible activities in disaster areas declared following Hurricane Katrina and Rita.</p> <p>In 2008 and subsequent years the HUD Secretary would establish a formula for distribution of the funds to "the States and federally recognized Indian tribes". The formula would be based on population, families paying more than 50% of income for</p>

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	<p><u>Eligible fund activities</u>                      Money can be used or committed only for assistance for:                      (1) Production, preservation, rehabilitation and operating costs of rental housing for extremely low- and very low-income families.                      (2) Production, preservation, and rehabilitation of housing for purchase of principal residences of, extremely low- and very low-income families who are first time homebuyers. The home price must meet requirements of the Cranston-Gonzalez National Affordable Housing Act and the home must meet resale restrictions of that act. Homebuyers must also complete pre-purchase counseling. No more than 10% of funds can go to homeownership activities.                      All allocations must be used or committed within two years of allocation or they will be recaptured and reallocated.                      The Secretary must have regulations governing the activities selection process which prohibit using amounts from the funds for:</p> <ul style="list-style-type: none"> <li>• Political activities;</li> <li>• Advocacy;</li> <li>• Lobbying, whether directly or through others;</li> <li>• Counseling services;</li> <li>• Travel expenses;</li> <li>• Preparing or providing advice on tax returns; and</li> <li>• Administrative, outreach, or other costs of the grantee or the funds recipients, but the regulation may permit limited funds to cover administrative costs of the grantee of carrying out the program.</li> </ul> <p>The regulations must also provide requirements for the awarding of grants to recipients that provide priority in funding based on the merits of an applicant's eligible activity, including:</p> <ul style="list-style-type: none"> <li>• Geographic diversity;</li> <li>• Ability to undertake activities timely</li> <li>• The extent to which rents are affordable for</li> </ul>		<p>housing, extremely low and very low income families, cost of development, families living in substandard housing, extremely old housing, and other factors as determined by the Secretary. Grant amounts would be allocated to "a State housing finance agency, housing and community development entity, tribally designated housing entity, or other qualified instrumentality of the grantee."</p> <p>Each year, each grantee must establish an allocation plan for distribution of the grants and accept public comments on the plan.</p> <p><u>Eligible fund activities</u>                      Money in the AHF can be used or committed only for assistance for:                      (1) Production, preservation, and rehabilitation of rental housing for extremely low- and very low-income families.                      (2) Production, preservation, and rehabilitation of housing for purchase of principal residences of, extremely low- and very low-income families who are first time homebuyers. The home price must meet requirements of the Cranston-Gonzalez National Affordable Housing Act and the home must meet resale restrictions of that act. Homebuyers must also complete pre-purchase counseling and demonstrate that they are lawfully present in the U.S.                      (3) Public infrastructure development activities in connection with (1) and (2) above.                      Allocated funds are limited as follows:</p> <ul style="list-style-type: none"> <li>• 25% must go to REFCORP payments;</li> <li>• At least 10% must be used for (2) above;</li> <li>• No more than 12.5% can go to (3) above.</li> </ul> <p>All allocations must be used or committed within two years of allocation or they will be recaptured and reallocated.                      The Director must have regulations governing the activities selection process which prohibit using</p>

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	<p>extremely low income families;</p> <ul style="list-style-type: none"> <li>• The duration of affordability restrictions;</li> <li>• The extent other funding sources are used; and</li> <li>• The merits of the proposed activity.</li> </ul> <p>Loans that the enterprises purchase can count toward the affordable housing goals and the duty to serve underserved markets only to the extent the block grant does not fund the purchases.</p> <p><u>Eligible recipients</u></p> <p>Recipients may be for-profit or not-for-profit. Recipients must have a demonstrated experience and capacity to carry out activities as well as financial capacity and familiarity with other housing programs that could be used in conjunction with the grants. They must assure they will comply with applicable requirements.</p> <p><u>Accountability</u></p> <p>The Secretary must require each State to maintain a system to ensure that recipients use funds in accordance with applicable law and any conditions under which funds were disbursed.</p> <p>The Secretary must establish minimum requirements for agreements between the States and grant recipients, including reporting and auditing for the term of the grant.</p> <p>If a State determines that a recipient of funds has used the funds in material violation of any applicable requirement, the State must require reimbursement and the return of any unused funds.</p> <p>If the Secretary determines that a State failed to comply with requirements, the Secretary shall require the grantee to repay the Secretary and could terminate any assistance to the State.</p> <p>The State must file annual reports with the Secretary on their funding activities. The reports are public.</p> <p>If legislation is passed establishing an affordable housing trust fund, any amount allocated for this</p>		<p>amounts from the funds for:</p> <ul style="list-style-type: none"> <li>• Political activities;</li> <li>• Advocacy;</li> <li>• Lobbying, whether directly or through others;</li> <li>• Counseling services;</li> <li>• Travel expenses;</li> <li>• Preparing or providing advice on tax returns; and</li> <li>• Administrative, outreach, or other costs of the grantee or the funds recipients, but the regulation may permit use of up to 10% of grant funds to cover administrative costs of the grantee of carrying out the program.</li> </ul> <p>The Director must require each grantee and recipient to assure that no assistance is provided to an individual or household unless all adult members of the household provide personal identification in the form of a social security card with a photo ID card, a passport or a photo ID card issued by the Department of Homeland Security.</p> <p>The regulations must also provide requirements for the awarding of grants to recipients that provide priority in funding based on the merits of an applicant's eligible activity, including:</p> <ul style="list-style-type: none"> <li>• Greatest impact;</li> <li>• Geographic diversity;</li> <li>• Ability to undertake activities timely;</li> <li>• The extent to which rents are affordable for extremely low income families;</li> <li>• The duration of affordability restrictions;</li> <li>• The extent other funding sources are used; and</li> <li>• The merits of the proposed activity.</li> </ul> <p>Loans that the enterprises purchase can count toward the affordable housing goals only to the extent the AHF does not fund the purchases.</p> <p><u>Eligible recipients</u></p> <p>Recipients may be for-profit or not-for-profit, or faith-based organizations. Recipients must have a demonstrated ability and financial capacity to carry out the AHF activities. They must assure they will</p>

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	<p>program shall be transferred to that fund.</p> <p><u>Section 1339 Capital Magnet Fund</u> A trust fund is established as a special account with the Community Development Financial Institutions Fund. The account is funded pursuant to section 1337 (35% of 4.2 bps of new business purchases).</p> <p><u>Expenditures</u> A competitive grant program carried out by the Secretary of Treasury “to attract private capital for and increase investment in”:</p> <ul style="list-style-type: none"> <li>• Development, preservation, rehabilitation and purchase of affordable housing for ELI, VLI and LI families; or</li> <li>• Economic development activities or community service facilities which in conjunction with housing stabilize or revitalize an area.</li> </ul> <p>Eligible grantees are CDFIs or nonprofits with a principal purpose of development or management of affordable housing.</p> <p><u>Eligible. Uses</u></p> <ul style="list-style-type: none"> <li>• Loan loss reserves</li> <li>• Revolving loan fund</li> <li>• Affordable housing fund</li> <li>• Fund supporting economic development activities or community service facilities</li> <li>• Risk-sharing loans</li> </ul> <p>Applications are submitted to Treasury. No one grantee can receive more than 15% of funds available in any year. Activities are to be funded in geographically diverse areas of economic distress. The grant funds are expected to leverage investment of 10 times the grant amount. Funds</p>		<p>comply with applicable requirements.</p> <p><u>Accountability</u> The Director must require each grantee to maintain a system to ensure that recipients use funds in accordance with applicable law and any conditions under which funds were disbursed. The Director must establish minimum requirements for agreements between the grantees and grant recipients, including reporting and auditing for the term of the grant. If a grantee determines that a recipient of funds has used the funds in material violation of any applicable requirement, the grantee must require reimbursement. If the Director determines that a grantee failed to comply with requirements, the Director shall require the grantee to repay the Director and could terminate any assistance to the grantee. The grantees must file annual reports with the Director on their funding activities. The reports are public.</p>

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	<p>must be committed for use within two years or they will be recaptured.</p> <p>Grant funds may not be used for lobbying activities. Credit toward housing goals or the duty to serve underserved markets for purchases of mortgages that receive grant amounts is provided only to the extent the purchase is not funded by the grant.</p> <p>Accountability requirements for recipients and grantees are similar to those for the block grant program in Section 1337.</p> <p><u>Criteria for selection of grantees</u></p> <ul style="list-style-type: none"> <li>• Funds must be fairly distributed to urban, suburban and rural areas</li> <li>• Prioritization must be based on: <ul style="list-style-type: none"> <li>- The ability to generate additional investments</li> <li>- Affordable housing need</li> <li>- Ability to utilize the funds timely</li> </ul> </li> </ul>		
<b>Consistency with Mission</b>	.		<p>Section 141</p> <p>Nothing in the housing goals, duties or affordable housing fund sections may be construed to authorize an enterprise to engage in an activity that is inconsistent with its charter.</p>