

Summary of H.R. 3221

Federal Housing Finance Regulatory Reform Act

RELEVANT APPRAISAL PROVISIONS

Hope for Homeowners Program

- All appraisals done for the Hope for Homeowners program (explained below) must be conducted in accordance to Title XI of FIRREA and performed by an appraiser who meets the competency requirements of the Uniform Standards of Professional Appraisal Practice.
- Authorizes FHA to contract for independent quality reviews of underwriting, including appraisal reviews and fraud detection, of mortgages insured under the Hope for Homeowners program or pools of such mortgages.

FHA Appraisal Reforms

- Amends the FHA Appraiser Roster Requirements, as follows:
 - Beginning on the date of enactment of the Federal Housing Finance Regulatory Reform Act, any appraiser chosen or approved to conduct FHA appraisals shall be certified
 - By the State in which the property to be appraised is located; or
 - By a nationally recognized professional appraisal organization; *and*
 - Demonstrate verifiable education in FHA appraisal requirements.

Appraiser Independence

- Prohibits all parties involved in a real estate transaction, including mortgage lenders, mortgage brokers, mortgage bankers, real estate brokers, appraisal management companies, employee of appraisal management companies, or any other person with an interest in a real estate transaction from improperly influencing an appraiser. This provision protects appraisers working under the Hope for Homeowners Program and the FHA Appraiser Roster.

MAJOR HOUSING PROVISIONS

FHA Housing Stabilization and Homeownership Retention Act (Hope for Homeowners)

- Provides mortgage refinancing assistance to keep families from losing their homes, to protect neighboring home values, and to help stabilize the housing market.
- Expands the FHA program so that many borrowers in danger of losing their home can refinance into lower-cost government-insured mortgages they can afford to repay.
- In order to participate, lenders and mortgage investors must take losses by reducing the loan principal. In exchange for an FHA guarantee on the mortgage, borrowers must share any profit from the resale of a refinanced home with the government.
- Establish a new FHA reserve to cover possible losses from defaults on these government-backed mortgages.

- Only primary residences are eligible: No speculators, investment properties, nor second or third homes will be refinanced.
- Provides \$180 million for financial counseling and legal assistance to help families stay in their homes.

Strengthening Regulations of the GSEs

- Abolishes the Office of Federal Housing Enterprise Oversight and creates a new independent regulator – the Federal Housing Finance Agency – who will have enhanced authority to raise capital standards, set strict prudential standards, including internal controls, audits, and to enforce these new standards and promptly take corrective action.
- Raises the GSE loan limits for single family homes to create affordable mortgage loans for moderately priced homes by allowing GSE loans up to 115% of the local area median home price, and to make GSE loans effective in high cost areas by raising the permanent loan limit from \$417,000 to \$625,500.
- Creates a new permanent affordable housing trust fund – financed by the GSEs to fund the construction, maintenance and preservation of affordable rental housing for low and very low-income individuals and families nationwide.
- Gives the Secretary of the Treasury the authority to increase the already existing line of credit to Freddie and Fannie for the next 18 months, as well as giving the Treasury Department standby authority to buy stock in those companies to provide confidence in the GSEs and stabilize housing finance markets.
- Strengthens oversight by requiring the Federal Reserve and Treasury to consult with the new regulator on issues concerning the safety and soundness of the GSEs and use of the standby authority.

Helping Neighborhoods Hurt by the Foreclosure Crisis

- Provides \$4 billion in emergency assistance to communities hardest hit by the foreclosure and subprime crisis to purchase foreclosed homes, at a discount, and rehabilitate or redevelop the homes to stabilize neighborhoods and stem the significant losses in home values of neighboring homes.
- Foreclosed and rehabilitated homes would be sold or rented to individuals and families – whose incomes do not exceed 120 percent of the area median income. At least 25 percent of the funds would be targeted to house low-income and very low-income persons and families – whose incomes do not exceed 50 percent of area median income.
- Any profit from the sale, rental, rehabilitation or redevelopment of these properties must be reinvested in affordable housing and neighborhood stabilization.
- Provides \$180 million for pre-foreclosure counseling, to be distributed in grants by the Neighborhood Reinvestment Cooperation – with 15 percent targeted for low-income and minority homeowners and neighborhoods, and \$30 million in grants for legal counseling to assist homeowners in foreclosure.

Preventing Future Abuses and Crises

- Establishes a nationwide loan originator licensing and registration system that will set minimum standards for loan originator licensing substantially improving the oversight of mortgage brokers and bank loan officers.
- Establishes improved mortgage disclosure requirements that will help ensure that mortgage borrowers understand their mortgage loan terms.

FHA Modernization

- Expands affordable mortgage loan opportunities for families and for seniors through expanded access to reverse mortgages through Federal Housing Administration reform.

- Raises FHA loan limits to create affordable mortgage loans for moderately priced homes by allowing FHA loans up to 115% of the local area median home price, and to make GSE loans more available in high cost areas by raising the permanent loan limit from \$362,790 to \$625,500.
- Expands opportunities for seniors to tap into equity in their home through FHA reverse mortgage loans, by increasing the loan limit for the program, reducing and capping lender fees for such loans, and strengthening consumer protections limiting the sale of other financial products in conjunction with FHA reverse mortgage loans.
- Prevents HUD from raising single family loan fees on lower- and middle-income borrowers, and from raising loan fees on FHA rental housing loans.

Housing for Veterans

- Increases VA Home Loan limit for high-cost housing areas so that veterans have more homeownership opportunities.
- Helps returning soldiers avoid foreclosure and stay in their home by lengthening the time a lender must wait before starting foreclosure, from three months to nine months after a soldier returns from service and providing returning soldiers with one-year relief from increases in mortgage interest rates.
- Requires the Department of Defense to establish a counseling program for veterans and active service members facing financial difficulties and provides a moving benefit to servicemen and women who are forced to move out because their rental housing was foreclosed on.
- Increases benefits paid to veterans with disabilities, such as blindness, to adapt their housing and allows the Veterans Administration to provide for improvements to homes of veterans with service-connected disabilities.

Tax Provisions to Expand Refinancing Opportunities and Spur Home Buying

- Provides \$15 billion in tax benefits, including tax credits to first-time homebuyers, a real property tax deduction for non-itemizers, an additional \$11 billion in mortgage revenue bonds for states, and improves access to low-income housing.

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