

Summary of the Dodd-Shelby Amendment to the Federal Housing Finance Regulatory Reform Act of 2008

Modifications Related to Regulation of the GSEs

- Requires the Director to issue regulations establishing criteria governing the portfolio holdings of the enterprises to ensure the holdings are backed by sufficient capital and are consistent with the mission and the safe and sound operation of the enterprises. In establishing the criteria, the Director must consider: the ability of the enterprises to provide a liquid secondary market through securitization activities, the portfolio holdings in relation to the overall mortgage market, and adherence to the prudential management standards set forth in section 108 of the bill.
- Modifies new Section 1362(d), as added by section 111 of the Committee Print, to provide that the Director may, by order, temporarily increase the minimum capital level for a regulated entity when the Director determines an increase is necessary and consistent with the prudential regulation and the safe and sound operations of a regulated entity. The Director must rescind the temporary increase when the Director determines the circumstances or facts no longer justify the increase. The Director must issue regulations establishing the following: (1) standards regarding the imposition of a temporary increase in capital by order; (2) standards and procedures the Director will use to determine when to rescind the increase; and (3) a reasonable time frame for periodic review of the increase to determine when to rescind the order.
- Establishes the high cost loan limit for Fannie Mae and Freddie Mac of 132 percent of the conforming loan limit. Currently, this would allow for the purchase of loans up to \$550,000. Prohibits the enterprises from holding loans purchased with principal obligations greater than the normal conforming limit on their portfolios, either as whole loans or mortgage-backed securities, except to the extent that such loans are held for the purposes of securitization.
- Renames the Affordable Housing Block Grant Program as the Housing Trust Fund, allows additional monies to be placed in the Fund, and clarifies that 75 percent of the amounts in the Fund shall be used for the benefit of extremely low-income families.
- Establishes an Office of Ombudsman at the new regulator.
- Authorizes the Treasury Department's Office of Financial Education to take expanded steps to improve homeownership counseling services.
- Clarifies that personal property manufactured housing loans may count towards the GSE underserved areas manufactured housing goal.
- Consistent with banking regulation, provides that orders to correct deficiencies under section 1313B (prudential management) are not subject to judicial review.

Strengthening of HOPE for Homeowners Program Requirements

- Dedicates a certain percentage of funds from the GSEs' new affordable housing allocations to cover projected costs of the HOPE for Homeowners Program (which is authorized through fiscal year 2011) and establishes a reserve fund that may be used if the HOPE for Homeowners initiative costs more than projected. Should the Program cost less than projected, the funding from the affordable housing allocations will be returned to the Housing Trust Fund and the Capital Magnet Fund.
- Expands the certification requirement so that borrowers must certify, under penalty of law, that they have not intentionally defaulted on any debt, not just their current mortgage, as in the Committee Print. The borrower is liable to FHA to repay any benefits achieved through the reduction of the mortgage based on the borrower's misrepresentations.
- Requires the income of every applicant to the HOPE for Homeowners program to be documented and verified with the IRS.
- Provides that no one who has a second or vacation home, or has been convicted of fraud, will be eligible for a loan under the HOPE for Homeowners program.
- Prohibits the Secretary from paying an insurance claim whenever the representations and warranties required to be made by lenders are violated, or in cases in which a borrower has an early payment default and misses the first payment.
- Gives the Board the authority to establish other protections against adverse selection, such as requiring "seasoning" for certain higher risk loans before they can be insured under the program.
- Requires that appraisers of property insured by FHA be certified by the state where the property is located, or by a nationally recognized professional appraisal organization, and have "demonstrated verifiable education" in FHA appraisal requirements.

Modifications Relating to the Federal Home Loan Banks

- Retains current law related to allocation of member directorships on the boards of the Federal Home Loan Banks except in the case of a merger of two or more Banks.
- Modifies the list of exemptions from the Securities Exchange Act of 1934 applicable to the Federal Home Loan Banks to conform to existing SEC regulations.
- Requires the Director to study and report to Congress within one year on the extent to which loans and securities used as collateral to support Federal Home Loan Bank advances are consistent with interagency guidance on nontraditional mortgage products.

- Clarifies that the Federal Home Loan Banks may use affordable housing program funds to refinance single-family first mortgages for households at or below 80 percent of area median income.

Other Provisions

- Adds a study by the Director of ways to improve default risk evaluation through the use of technology and standardization.
- Converts a Rental Assistance Payment contract to Section 8 project-based rental assistance for a certain multifamily housing project.
- Establishes a licensing system for all loan originators to help standardize requirements for mortgage brokers and ensure that they meet minimum educational and performance standards.
- Makes various non-substantive technical changes throughout the bill.