

107TH CONGRESS
2D SESSION

S. 2239

To amend the National Housing Act to simplify the downpayment requirements for FHA mortgage insurance for single family homebuyers.

IN THE SENATE OF THE UNITED STATES

APRIL 24, 2002

Mr. SARBANES (for himself, Mr. ENSIGN, Mr. SCHUMER, Mr. CORZINE, Mr. ALLARD, Mr. CARPER, Mr. BUNNING, Mrs. CLINTON, Mr. TORRICELLI, and Mr. SANTORUM) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the National Housing Act to simplify the downpayment requirements for FHA mortgage insurance for single family homebuyers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FHA Downpayment
5 Simplification Act of 2002”.

6 **SEC. 2. DOWNPAYMENT SIMPLIFICATION.**

7 Section 203 of the National Housing Act (12 U.S.C.
8 1709) is amended—

9 (1) in subsection (b)—

1 (A) by striking “shall—” and inserting
2 “shall comply with the following:”;

3 (B) in paragraph (2)—

4 (i) in subparagraph (A), in the matter
5 that precedes clause (ii), by moving the
6 margin 2 ems to the right;

7 (ii) in the undesignated matter imme-
8 diately following subparagraph (B)(iii)—

9 (I) by striking the second and
10 third sentences of such matter; and

11 (II) by striking the sixth sentence
12 (relating to the increases for costs of
13 solar energy systems) and all that fol-
14 lows through the end of the last un-
15 designated paragraph (relating to dis-
16 closure notice); and

17 (iii) by striking subparagraph (B) and
18 inserting the following:

19 “(B) not to exceed an amount equal to the
20 sum of—

21 “(i) the amount of the mortgage in-
22 surance premium paid at the time the
23 mortgage is insured; and

24 “(ii) in the case of—

1 “(I) a mortgage for a property
2 with an appraised value equal to or
3 less than \$50,000, 98.75 percent of
4 the appraised value of the property;

5 “(II) a mortgage for a property
6 with an appraised value in excess of
7 \$50,000 but not in excess of
8 \$125,000, 97.65 percent of the ap-
9 praised value of the property;

10 “(III) a mortgage for a property
11 with an appraised value in excess of
12 \$125,000, 97.15 percent of the ap-
13 praised value of the property; or

14 “(IV) notwithstanding subclauses
15 (II) and (III), a mortgage for a prop-
16 erty with an appraised value in excess
17 of \$50,000 that is located in an area
18 of the State for which the average
19 closing cost exceeds 2.10 percent of
20 the average, for the State, of the sale
21 price of properties located in the State
22 for which mortgages have been exe-
23 cuted, 97.75 percent of the appraised
24 value of the property.”;

1 (C) by transferring and inserting the text
2 of paragraph (10)(B) after the period at the
3 end of the first sentence of the undesignated
4 paragraph that immediately follows paragraph
5 (2)(B) (relating to the definition of “area”);
6 and

7 (D) by striking paragraph (10); and
8 (2) by inserting after subsection (e), the fol-
9 lowing:

10 “(f) DISCLOSURE OF OTHER MORTGAGE PROD-
11 UCTS.—

12 “(1) IN GENERAL.—In conjunction with any
13 loan insured under this section, an original lender
14 shall provide to each prospective borrower a disclo-
15 sure notice that provides a 1-page analysis of mort-
16 gage products offered by that lender and for which
17 the borrower would qualify.

18 “(2) NOTICE.—The notice required under para-
19 graph (1) shall include—

20 “(A) a generic analysis comparing the note
21 rate (and associated interest payments), insur-
22 ance premiums, and other costs and fees that
23 would be due over the life of the loan for a loan
24 insured by the Secretary under subsection (b)
25 with the note rates, insurance premiums (if ap-

1 plicable), and other costs and fees that would
2 be expected to be due if the mortgagor obtained
3 instead other mortgage products offered by the
4 lender and for which the borrower would qualify
5 with a similar loan-to-value ratio in connection
6 with a conventional mortgage (as that term is
7 used in section 305(a)(2) of the Federal Home
8 Loan Mortgage Corporation Act (12 U.S.C.
9 1454(a)(2)) or section 302(b)(2) of the Federal
10 National Mortgage Association Charter Act (12
11 U.S.C. 1717(b)(2)), as applicable), assuming
12 prevailing interest rates; and

13 “(B) a statement regarding when the re-
14 quirement of the mortgagor to pay the mort-
15 gage insurance premiums for a mortgage in-
16 sured under this section would terminate, or a
17 statement that the requirement shall terminate
18 only if the mortgage is refinanced, paid off, or
19 otherwise terminated.”.

20 **SEC. 3. CONFORMING AMENDMENTS.**

21 Section 245 of the National Housing Act (12 U.S.C.
22 1715z-10) is amended—

23 (1) in subsection (a), by striking “, or if the
24 mortgagor” and all that follows through “case of
25 veterans”; and

1 (2) in subsection (b)(3), by striking “, or, if
2 the” and all that follows through “for veterans,”.

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