

119TH CONGRESS
2D SESSION

H. R. 9460

To amend the Federal Home Loan Mortgage Corporation Act and the Federal National Mortgage Association Charter Act to specify requirements with respect to the ownership of certain mortgage assets for the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2026

Mr. FITZGERALD introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Federal Home Loan Mortgage Corporation Act and the Federal National Mortgage Association Charter Act to specify requirements with respect to the ownership of certain mortgage assets for the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, and for other purposes.

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 “Sustainable Homeown-
5 ership Act”.

1 **SEC. 2. REQUIREMENTS OF OWNERSHIP OF CERTAIN**
2 **MORTGAGE ASSETS.**

3 (a) FREDDIE MAC.—

4 (1) MORTGAGE OPERATIONS.—Section 305 of
5 the Federal Home Loan Mortgage Corporation Act
6 (12 U.S.C. 1454) is amended—

7 (A) in subsection (a)(2)—

8 (i) by striking “No conventional” and
9 inserting the following: “LIMITS ON PUR-
10 CHASES OF HIGH LOAN-TO-VALUE MORT-
11 GAGES—

12 “(A) IN GENERAL.—No conventional”;

13 (ii) in subparagraph (A), as amended
14 by clause (i)—

15 (I) by striking “value of” and in-
16 serting “lesser of appraised value or
17 purchase price of”;

18 (II) by striking “not less than 10
19 per centum in the mortgage” and in-
20 serting “not less than the same per-
21 centage of the first-loss portion of the
22 unpaid principal balance of the mort-
23 gage that is required to be insured or
24 guaranteed as described in subsection
25 (e)(1)”;

1 (III) by striking “for such period
2 and”;

3 (IV) by inserting “not later than
4 120 days after the default of such
5 mortgage” after “is in default”; and

6 (V) by striking “as determined
7 by the Corporation” and inserting “,
8 subject to the coverage and the quali-
9 fied insurer requirements described in
10 subsection (e)”; and

11 (iii) by adding at the end the fol-
12 lowing:

13 “(B) EXCEPTION FOR REFINANCING.—
14 Notwithstanding the first sentence of subpara-
15 graph (A), the Corporation may purchase a
16 conventional mortgage with an outstanding
17 principal balance exceeding 97 percent of the
18 value of the property securing the mortgage if
19 the Corporation or the Federal National Mort-
20 gage Association, during the 30 day period be-
21 fore the origination of such mortgage, replaced
22 a mortgage with the same borrower secured by
23 the same property and the new conventional
24 mortgage—

1 “(i) reduces payment amounts for the
2 borrower;

3 “(ii) shortens the amortization term
4 of the mortgage; or

5 “(iii) replaces variable rate mortgage
6 with fixed rate mortgage for a minimum of
7 a 60 month term.”; and

8 (B) by adding at the end the following:

9 “(e) INSURANCE OR GUARANTEE ON UNPAID PRIN-
10 CIPAL BALANCE OF A MORTGAGE.—

11 “(1) REQUIREMENTS.—

12 “(A) IN GENERAL.—With respect to the
13 insurance or guarantee on the portion of the
14 unpaid principal balance at the time of pur-
15 chase of a mortgage which is in excess of 80
16 percent of the value of the property securing
17 the mortgage that is required under subsection
18 (a)(2)(A), the following requirements apply:

19 “(i) For a mortgage with an unpaid
20 principal balance that is equal to an
21 amount that is above 80 percent and not
22 more than 85 percent of the value of the
23 property—

24 “(I) an amount that is not less
25 than 12 percent of the portion of the

1 unpaid principal balance of the mort-
2 gage shall be guaranteed or insured
3 by a qualified insurer; or

4 “(II) if the mortgage is a fixed-
5 rate mortgage with a fully amortizing
6 term of less than or equal to 20 years,
7 an amount that is not less than 6 per-
8 cent of the portion of the unpaid prin-
9 cipal balance of the mortgage shall be
10 guaranteed or insured by a qualified
11 insurer.

12 “(ii) For a mortgage with an unpaid
13 principal balance that is equal to an
14 amount that is above 85 percent and not
15 more than 90 percent of the value of the
16 property—

17 “(I) an amount that is not less
18 than 25 percent of the portion of the
19 unpaid principal balance of the mort-
20 gage shall be guaranteed or insured
21 by a qualified insurer; or

22 “(II) if the mortgage is a fixed-
23 rate mortgage with a fully amortizing
24 term of less than or equal to 20 years,
25 an amount that is not less than 12

1 percent the portion of the unpaid
2 principal balance of the mortgage
3 shall be guaranteed or insured by a
4 qualified insurer.

5 “(iii) For a mortgage with an unpaid
6 principal balance that is equal to an
7 amount that is above 90 percent and not
8 more than 95 percent of the value of the
9 property—

10 “(I) an amount that is not less
11 than 30 percent the portion of the un-
12 paid principal balance of the mortgage
13 shall be guaranteed or insured by a
14 qualified insurer; or

15 “(II) if the mortgage is a fixed-
16 rate mortgage with a fully amortizing
17 term of less than or equal to 20 years,
18 an amount that is not less than 25
19 percent the portion of the unpaid
20 principal balance of the mortgage
21 shall be guaranteed or insured by a
22 qualified insurer.

23 “(iv) For a mortgage with an unpaid
24 principal balance that is equal to an
25 amount that is above 95 percent and not

1 more than 97 percent of the value of the
2 property, an amount that is not less than
3 35 percent of the portion of the unpaid
4 principal balance of the mortgage shall be
5 guaranteed or insured by a qualified in-
6 surer.

7 “(B) EXCEPTIONS.—

8 “(i) STATE AGENCIES AND CERTAIN
9 MORTGAGE PROGRAMS.—With respect to a
10 seller that is a State or political subdivi-
11 sion thereof, for mortgages purchased on
12 behalf of a State or political subdivision
13 thereof, and for mortgages acquired under
14 section 1335 of the Federal Housing En-
15 terprises Financial Safety and Soundness
16 Act of 1992 (12 U.S.C. 4565), the fol-
17 lowing coverage requirements apply for un-
18 paid principal balances at the time of pur-
19 chase:

20 “(I) For a mortgage with an un-
21 paid principal balance that is equal to
22 an amount that is above 80 percent
23 and not more than 85 percent of the
24 value of the property, an amount that
25 is not less than 6 percent the portion

1 of the unpaid principal balance of the
2 mortgage shall be guaranteed or in-
3 sured by a qualified insurer.

4 “(II) For a mortgage with an un-
5 paid principal balance that is equal to
6 an amount that is above 85 percent
7 and not more than 90 percent of the
8 value of the property, an amount that
9 is not less than 12 percent the portion
10 of the unpaid principal balance of the
11 mortgage shall be guaranteed or in-
12 sured by a qualified insurer.

13 “(III) For a mortgage with an
14 unpaid principal balance that is equal
15 to an amount that is above 90 percent
16 and not more than 95 percent of the
17 value of the property, an amount that
18 is not less than 16 percent of the por-
19 tion of the unpaid principal balance of
20 the mortgage shall be guaranteed or
21 insured by a qualified insurer.

22 “(IV) For a mortgage with an
23 unpaid principal balance that is equal
24 to an amount that is above 95 percent
25 and not more than 97 percent of the

1 value of the property, an amount that
2 is not less than 18 percent the portion
3 of the unpaid principal balance of the
4 mortgage shall be guaranteed or in-
5 sured by a qualified insurer.

6 “(ii) LOW INCOME MORTGAGOR.—

7 “(I) IN GENERAL.—For a mort-
8 gage with an unpaid principal balance
9 at the time of purchase that is equal
10 to an amount that is above 90 percent
11 and not more than 97 percent of the
12 value of the property, and for which
13 the mortgagor of the mortgage is a
14 low-income mortgagor, the Director of
15 the Federal Housing Finance Agency
16 may permit that an amount that is
17 not less than 25 percent of the por-
18 tion of the unpaid principal balance of
19 the mortgage shall be guaranteed or
20 insured by a qualified insurer.

21 “(II) LOW-INCOME MORTGAGOR
22 DEFINED.—

23 “(aa) IN GENERAL.—The
24 term ‘low-income mortgagor’
25 means a mortgagor with a house-

1 hold income of not more than 80
2 percent of the area median in-
3 come.

4 “(bb) AREA MEDIAN INCOME
5 QUALIFICATION.—The Director
6 of the Federal Housing Finance
7 Agency may adjust the area me-
8 dian income qualification de-
9 scribed in item (aa).

10 “(2) QUALIFIED INSURER.—

11 “(A) IN GENERAL.—To be a qualified in-
12 surer under this subsection, an insurer shall—

13 “(i) be subject to any State insurance
14 law or regulations that are applicable to in-
15 surance companies in the respective State
16 in which the insurer operates;

17 “(ii) be subject to any eligibility
18 standards as described in subparagraph
19 (B); and

20 “(iii) be a private enterprise.

21 “(B) ELIGIBILITY STANDARDS FROM COR-
22 PORATION.—

23 “(i) IN GENERAL.—The Corporation
24 may set eligibility standards, as described
25 in clause (ii), for qualified insurers.

1 “(ii) IMPOSITION OF STANDARDS.—

2 Any eligibility standards imposed by the
3 Corporation on qualified insurers shall be
4 approved by the Director of the Federal
5 Housing Finance Agency and subject to a
6 30 day notice and comment period for the
7 public, including insurers to provide input
8 on the proposed eligibility requirements or
9 changes thereto. The Director may only
10 approve such proposed eligibility require-
11 ments from the public comment period.

12 “(f) HOLDING OF ASSETS.—

13 “(1) IN GENERAL.—The value of the covered
14 assets held by the Corporation at any time may not
15 exceed the greater of—

16 “(A) 8 percent of the Corporation’s total
17 assets; or

18 “(B) an amount that the Secretary of the
19 Treasury and the Director of the Federal Hous-
20 ing Finance Agency determine is necessary on
21 a quarterly basis to—

22 “(i) engage in the business of
23 securitizing mortgage-backed securities
24 guaranteed the Corporation; and

1 “(ii) comply with the liquidity require-
2 ments prescribed by the Director.

3 “(2) COVERED ASSETS DEFINED.—In this sub-
4 section, the term ‘covered assets’—

5 “(A) means mortgages, mortgage loans,
6 mortgage-related securities, participation certifi-
7 cates, mortgage-backed commercial paper, obli-
8 gations of real estate mortgage investment con-
9 duits, and any substantially similar assets; and

10 “(B) does not include loans for the con-
11 struction of residential dwelling units.

12 “(g) REQUIREMENTS APPLYING TO THE PURCHASE
13 OF SINGLE-FAMILY RESIDENTIAL MORTGAGES.—

14 “(1) IN GENERAL.—The Corporation may not
15 vary the pricing or any other contractual term of the
16 acquisition by the Corporation of any single-family
17 residential mortgage (including by granting any vari-
18 ance) based on the size, charter type, or volume of
19 business of the seller of such mortgage.

20 “(2) EQUIVALENT OFFERS.—The Corporation
21 shall offer to purchase at all times, for equivalent
22 cash consideration (subject to an appropriate adjust-
23 ment for the value of any servicing rights retained
24 by an approved seller-servicer and for the cost of
25 bearing or otherwise managing any incremental

1 credit, market, operational, liquidity, or other risk
2 associated with the cash window), and on substan-
3 tially similar terms, including pricing, any single-
4 family residential mortgage that—

5 “(A) is of a class of single-family residen-
6 tial mortgages that the Corporation offers to
7 acquire for mortgage-backed securities guaran-
8 teed by the Corporation or other noncash con-
9 sideration;

10 “(B) is offered for sale to the Corporation
11 by a seller that has been approved to do busi-
12 ness with the Corporation; and

13 “(C) has been originated and, if sold, sold
14 in compliance with any underwriting or other
15 similar restrictions prescribed by the Corpora-
16 tion or the Director of the Federal Housing Fi-
17 nance Agency as a conservator;

18 “(3) SIMULTANEOUS MORTGAGE LEINS.—The
19 Corporation may not purchase a single-family resi-
20 dential mortgage that was originated in combination
21 with a subordinate lien secured against the same
22 property if at the time of origination, such mortgage
23 or such subordinate lien provided access to a home
24 equity line of credit that, if used by the mortgagor
25 could, in combination with the original principal ob-

1 ligation of such mortgage and the original principal
2 obligation of such subordinate lien, exceed 80 per-
3 cent of the value of such property.”.

4 (2) OBLIGATIONS AND SECURITIES.—Section
5 306(l)(2)(C)(i) of the Federal Home Loan Mortgage
6 Corporation Act (12 U.S.C. 1455(l)(2)(C)(i)) is
7 amended to read as follows:

8 “(i) dedicated for—

9 “(I) the purpose of deficit reduc-
10 tion; or

11 “(II) the purpose of supporting
12 housing supply initiatives, including
13 affordable and middle-income housing
14 developments, as defined by the Sec-
15 retary of the Treasury; and”.

16 (3) EFFECTIVE DATES.—The amendments
17 made by—

18 (A) paragraph (1) shall take effect on the
19 date that is 180 days after the date of the en-
20 actment of this section; and

21 (B) paragraph (2) shall take effect on the
22 date of the enactment of this section.

23 (b) FANNIE MAE.—

24 (1) MORTGAGE OPERATIONS.—Section 302 of
25 the National Housing Act (12 U.S.C. 1717(b)(2))—

1 (A) in subsection (b)(2)—

2 (i) by striking “For the” and insert-
3 ing the following: “LIMITS ON PURCHASES
4 OF HIGH LOAN-TO-VALUE MORTGAGES—

5 “(A) IN GENERAL.—For the”;

6 (ii) in subparagraph (A), as amended
7 by clause (i)—

8 (I) by striking “value of” and in-
9 serting “lesser of appraised value or
10 purchase price of”;

11 (II) by striking “not less than 10
12 per centum in the mortgage” and in-
13 serting “not less than the same per-
14 centage of the first-loss portion of the
15 unpaid principal balance of the mort-
16 gage that is required to be insured or
17 guaranteed as described in subsection
18 (d)(1)”;

19 (III) by striking “for such period
20 and”;

21 (IV) by inserting “not later than
22 120 days after the default of such
23 mortgage” after “is in default”; and

24 (V) by striking “as determined
25 by the corporation” and inserting “,

1 subject to the coverage and the quali-
2 fied insurer requirements described in
3 subsection (d)”; and

4 (iii) by adding at the end the fol-
5 lowing:

6 “(B) EXCEPTION FOR REFINANCING.—

7 Notwithstanding the second sentence of sub-
8 paragraph (A), the corporation may purchase a
9 conventional mortgage with an outstanding
10 principal balance exceeding 97 percent of the
11 value of the property securing the mortgage if
12 the corporation or the Federal Home Loan
13 Mortgage Corporation, during the 30 day pe-
14 riod before the origination of such mortgage,
15 replaced a mortgage with the same borrower se-
16 cured by the same property and the new con-
17 ventional mortgage—

18 “(i) reduces payment amounts for the
19 borrower;

20 “(ii) shortens the amortization term
21 of the mortgage; or

22 “(iii) replaces variable rate mortgage
23 with fixed rate mortgage for a minimum of
24 a 60 month term.”; and

25 (B) by adding at the end the following:

1 “(d) INSURANCE OR GUARANTEE ON UNPAID PRIN-
2 CIPAL BALANCE OF A MORTGAGE.—

3 “(1) REQUIREMENTS.—

4 “(A) IN GENERAL.—With respect to the
5 insurance or guarantee on the portion of the
6 unpaid principal balance at the time of pur-
7 chase of a mortgage which is in excess of 80
8 percent of the value of the property securing
9 the mortgage that is required under subsection
10 (b)(2)(A), the following requirements apply:

11 “(i) For a mortgage with an unpaid
12 principal balance that is equal to an
13 amount that is above 80 percent and not
14 more than 85 percent of the value of the
15 property—

16 “(I) an amount that is not less
17 than 12 percent of the portion of the
18 unpaid principal balance of the mort-
19 gage shall be guaranteed or insured
20 by a qualified insurer; or

21 “(II) if the mortgage is a fixed-
22 rate mortgage with a fully amortizing
23 term of less than or equal to 20 years,
24 an amount that is not less than 6 per-
25 cent of the portion of the unpaid prin-

1 cipal balance of the mortgage shall be
2 guaranteed or insured by a qualified
3 insurer.

4 “(ii) For a mortgage with an unpaid
5 principal balance that is equal to an
6 amount that is above 85 percent and not
7 more than 90 percent of the value of the
8 property—

9 “(I) an amount that is not less
10 than 25 percent of the portion of the
11 unpaid principal balance of the mort-
12 gage shall be guaranteed or insured
13 by a qualified insurer; or

14 “(II) if the mortgage is a fixed-
15 rate mortgage with a fully amortizing
16 term of less than or equal to 20 years,
17 an amount that is not less than 12
18 percent the portion of the unpaid
19 principal balance of the mortgage
20 shall be guaranteed or insured by a
21 qualified insurer.

22 “(iii) For a mortgage with an unpaid
23 principal balance that is equal to an
24 amount that is above 90 percent and not

1 more than 95 percent of the value of the
2 property—

3 “(I) an amount that is not less
4 than 30 percent the portion of the un-
5 paid principal balance of the mortgage
6 shall be guaranteed or insured by a
7 qualified insurer; or

8 “(II) if the mortgage is a fixed-
9 rate mortgage with a fully amortizing
10 term of less than or equal to 20 years,
11 an amount that is not less than 25
12 percent the portion of the unpaid
13 principal balance of the mortgage
14 shall be guaranteed or insured by a
15 qualified insurer.

16 “(iv) For a mortgage with an unpaid
17 principal balance that is equal to an
18 amount that is above 95 percent and not
19 more than 97 percent of the value of the
20 property, an amount that is not less than
21 35 percent of the portion of the unpaid
22 principal balance of the mortgage shall be
23 guaranteed or insured by a qualified in-
24 surer.

25 “(B) EXCEPTIONS.—

1 “(i) STATE AGENCIES AND CERTAIN
2 MORTGAGE PROGRAMS.—With respect to a
3 seller that is a State or political subdivi-
4 sion thereof, for mortgages purchased on
5 behalf of a State or political subdivision
6 thereof, and for mortgages acquired under
7 section 1335 of the Federal Housing En-
8 terprises Financial Safety and Soundness
9 Act of 1992 (12 U.S.C. 4565), the fol-
10 lowing coverage requirements apply for un-
11 paid principal balances at the time of pur-
12 chase:

13 “(I) For a mortgage with an un-
14 paid principal balance that is equal to
15 an amount that is above 80 percent
16 and not more than 85 percent of the
17 value of the property, an amount that
18 is not less than 6 percent the portion
19 of the unpaid principal balance of the
20 mortgage shall be guaranteed or in-
21 sured by a qualified insurer.

22 “(II) For a mortgage with an un-
23 paid principal balance that is equal to
24 an amount that is above 85 percent
25 and not more than 90 percent of the

1 value of the property, an amount that
2 is not less than 12 percent the portion
3 of the unpaid principal balance of the
4 mortgage shall be guaranteed or in-
5 sured by a qualified insurer.

6 “(III) For a mortgage with an
7 unpaid principal balance that is equal
8 to an amount that is above 90 percent
9 and not more than 95 percent of the
10 value of the property, an amount that
11 is not less than 16 percent of the por-
12 tion of the unpaid principal balance of
13 the mortgage shall be guaranteed or
14 insured by a qualified insurer.

15 “(IV) For a mortgage with an
16 unpaid principal balance that is equal
17 to an amount that is above 95 percent
18 and not more than 97 percent of the
19 value of the property, an amount that
20 is not less than 18 percent the portion
21 of the unpaid principal balance of the
22 mortgage shall be guaranteed or in-
23 sured by a qualified insurer.

24 “(ii) LOW INCOME MORTGAGOR.—

1 “(I) IN GENERAL.—For a mort-
2 gage with an unpaid principal balance
3 at the time of purchase that is equal
4 to an amount that is above 90 percent
5 and not more than 97 percent of the
6 value of the property, and for which
7 the mortgagor of the mortgage is a
8 low-income mortgagor, the Director of
9 the Federal Housing Finance Agency
10 may permit that an amount that is
11 not less than 25 percent of the por-
12 tion of the unpaid principal balance of
13 the mortgage shall be guaranteed or
14 insured by a qualified insurer.

15 “(II) LOW-INCOME MORTGAGOR
16 DEFINED.—

17 “(aa) IN GENERAL.—The
18 term ‘low-income mortgagor’
19 means a mortgagor with a house-
20 hold income of not more than 80
21 percent of the area median in-
22 come.

23 “(bb) AREA MEDIAN INCOME
24 QUALIFICATION.—The Director
25 of the Federal Housing Finance

1 Agency may adjust the area me-
2 dian income qualification de-
3 scribed in item (aa).

4 “(2) QUALIFIED INSURER.—

5 “(A) IN GENERAL.—To be a qualified in-
6 surer under this subsection, an insurer shall—

7 “(i) be subject to any State insurance
8 law or regulations that are applicable to in-
9 surance companies in the respective State
10 in which the insurer operates;

11 “(ii) be subject to any eligibility
12 standards as described in subparagraph
13 (B); and

14 “(iii) be a private enterprise.

15 “(B) ELIGIBILITY STANDARDS FROM COR-
16 PORATION.—

17 “(i) IN GENERAL.—The corporation
18 may set eligibility standards, as described
19 in clause (ii), for qualified insurers.

20 “(ii) IMPOSITION OF STANDARDS.—
21 Any eligibility standards imposed by the
22 corporation on qualified insurers shall be
23 approved by the Director of the Federal
24 Housing Finance Agency and subject to a
25 30 day notice and comment period for the

1 public, including insurers to provide input
2 on the proposed eligibility requirements or
3 changes thereto. The Director may only
4 approve such proposed eligibility require-
5 ments from the public comment period.

6 “(e) HOLDING OF ASSETS.—

7 “(1) IN GENERAL.—The value of the covered
8 assets held by the corporation at any time may not
9 exceed the greater of—

10 “(A) 8 percent of the corporation’s total
11 assets; or

12 “(B) an amount that the Secretary of the
13 Treasury and the Director of the Federal Hous-
14 ing Finance Agency determine is necessary on
15 a quarterly basis to—

16 “(i) engage in the business of
17 securitizing mortgage-backed securities
18 guaranteed the corporation; and

19 “(ii) comply with the liquidity require-
20 ments prescribed by the Director.

21 “(2) COVERED ASSETS DEFINED.—In this sub-
22 section, the term ‘covered assets’—

23 “(A) means mortgages, mortgage loans,
24 mortgage-related securities, participation certifi-
25 cates, mortgage-backed commercial paper, obli-

1 gations of real estate mortgage investment con-
2 duits, and any substantially similar assets; and

3 “(B) does not include loans for the con-
4 struction of residential dwelling units.

5 “(f) REQUIREMENTS APPLYING TO THE PURCHASE
6 OF SINGLE-FAMILY RESIDENTIAL MORTGAGES.—

7 “(1) IN GENERAL.—The corporation may not
8 vary the pricing or any other contractual term of the
9 acquisition by the corporation of any single-family
10 residential mortgage (including by granting any vari-
11 ance) based on the size, charter type, or volume of
12 business of the seller of such mortgage.

13 “(2) EQUIVALENT OFFERS.—The corporation
14 shall offer to purchase at all times, for equivalent
15 cash consideration (subject to an appropriate adjust-
16 ment for the value of any servicing rights retained
17 by an approved seller-servicer and for the cost of
18 bearing or otherwise managing any incremental
19 credit, market, operational, liquidity, or other risk
20 associated with the cash window), and on substan-
21 tially similar terms, including pricing, any single-
22 family residential mortgage that—

23 “(A) is of a class of single-family residen-
24 tial mortgages that the corporation offers to ac-
25 quire for mortgage-backed securities guaranteed

1 by the corporation or other noncash consider-
2 ation;

3 “(B) is offered for sale to the corporation
4 by a seller that has been approved to do busi-
5 ness with the corporation; and

6 “(C) has been originated and, if sold, sold
7 in compliance with any underwriting or other
8 similar restrictions prescribed by the corpora-
9 tion or the Director of the Federal Housing Fi-
10 nance Agency as a conservator;

11 “(3) SIMULTANEOUS MORTGAGE LEINS.—The
12 corporation may not purchase a single-family resi-
13 dential mortgage that was originated in combination
14 with a subordinate lien secured against the same
15 property if at the time of origination, such mortgage
16 or such subordinate lien provided access to a home
17 equity line of credit that, if used by the mortgagor
18 could, in combination with the original principal ob-
19 ligation of such mortgage and the original principal
20 obligation of such subordinate lien, exceed 80 per-
21 cent of the value of such property.”.

22 (2) OBLIGATIONS AND SECURITIES.—Section
23 304(g)(2)(C)(i) of the National Housing Act (12
24 U.S.C. 1719(g)(2)(C)(i)) is amended to read as fol-
25 lows:

1 “(i) dedicated for—

2 “(I) the purpose of deficit reduc-
3 tion; or

4 “(II) the purpose of supporting
5 housing supply initiatives, including
6 affordable and middle-income housing
7 developments, as defined by the Sec-
8 retary of the Treasury; and”.

9 (3) EFFECTIVE DATES.—The amendments
10 made by—

11 (A) paragraph (1) shall take effect on the
12 date that is 180 days after the date of the en-
13 actment of this section; and

14 (B) paragraph (2) shall take effect on the
15 date of the enactment of this section.

16 **SEC. 3. ADJUSTMENTS TO LIMITATIONS OF MAXIMUM**
17 **ORIGINAL PRINCIPAL OBLIGATION OF CON-**
18 **VENTIONAL MORTGAGES.**

19 (a) FREDDIE MAC.—Section 305(a)(2)(A) of the
20 Federal Home Loan Mortgage Corporation Act, as amend-
21 ed by section 2, is further amended by striking “Each ad-
22 justment” and all that follows through “exceed prior de-
23 clines.” and inserting the following: “Each adjustment
24 shall be made by adding each such amount (as it may have
25 been previously adjusted) a percentage thereof equal to the

1 lower of the percentage increase, during the most recent
2 12-month period ending before the time of determining
3 such annual adjustment, in median household income pub-
4 lished by the Bureau of the Census or the housing price
5 index as determined by the Director of the Federal Hous-
6 ing Finance Agency.”.

7 (b) FANNIE MAE.—Section 302(b)(2)(A) of the Na-
8 tional Housing Act, as amended by section 2, is further
9 amended by striking “Each adjustment” and all that fol-
10 lows through “exceed prior declines.” and inserting the
11 following: “Each adjustment shall be made by adding each
12 such amount (as it may have been previously adjusted)
13 a percentage thereof equal to the lower of the percentage
14 increase, during the most recent 12-month period ending
15 before the time of determining such annual adjustment,
16 in median household income published by the Bureau of
17 the Census or the housing price index as determined by
18 the Director of the Federal Housing Finance Agency.”.

19 (c) FHA LOANS.—Section 203(b)(2)(A) of the Na-
20 tional Housing Act (12 U.S.C. 1709(b)(2)) is amended—

21 (1) by striking “not to exceed the lesser of—”
22 and inserting the following: “not to exceed 115 per-
23 cent of the median house price in the area in 2026,
24 as determined by the Secretary, which the Secretary
25 shall adjust the maximum principal obligation per-

mitted on an annual basis by adding to the amount described in the previous sentence a percentage thereof equal to the lower of the percentage increase, during the most recent 12-month period ending before the time of determining such annual adjustment, in median household income published by the Bureau of the Census or the housing price index as determined by the Director of the Federal Housing Finance Agency;” and

(2) by striking clauses (i) and (ii);

SEC. 4. PRIOR APPROVAL OF ENTERPRISE PRODUCTS.

(a) IN GENERAL.—Section 1321 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4541) is amended—

(1) in subsection (c)—

(A) in paragraph (3)—

(i) by striking “30-day” and inserting “60-day”;

(ii) by striking “During” and inserting the following:

“(A) IN GENERAL.—During”; and

(iii) by adding at the end the following:

“(B) EXTENSION OF PUBLIC COMMENT PERIOD.—The Director may extend the public

1 comment period described in subparagraph (A)
2 by 30 days.”; and

3 (B) in paragraph (4)—

4 (i) in subparagraph (A), by striking
5 “30” and inserting “60”;

6 (ii) in subparagraph (B), by striking
7 “30-day” and all that follows through
8 “product” and inserting “60-day period
9 described in subparagraph (A), then the
10 product is denied.”; and

11 (iii) by striking subparagraph (C);

12 (2) in subsection (e)(1)(C)—

13 (A) by striking “to—” and inserting “to
14 the activities described in subparagraphs (A)
15 and (B).”; and

16 (B) by striking clauses (i) and (ii); and

17 (3) by adding at the end the following:

18 “(g) PUBLIC DISCLOSURE OF DETERMINATION.—In
19 addition to information disclosed in the request for public
20 comment under subsection (c), the Director shall publish
21 on a public website and in the Federal Register any non-
22 proprietary information related to a determination with
23 respect a new product or new activity submission not later
24 than 30 days after making such determination, including

1 information related to the criteria for such determina-
 2 tion.”.

3 (b) RULEMAKING.—Not later than 90 days after the
 4 date of the enactment of this section, the Director of the
 5 Federal Housing Finance Agency shall issue or revise
 6 rules to carry out the amendments of this section.

7 **SEC. 5. CORE CAPITAL DEFINITION.**

8 Section 1303(7) of the Federal Housing Enterprises
 9 Financial Safety and Soundness Act of 1992 (12 U.S.C.
 10 4502(7)) is amended by inserting after subparagraph (D)
 11 the following:

12 “(E) Any other components or adjust-
 13 ments as determined appropriate by the Direc-
 14 tor for the purposes of—

15 “(i) ensuring safety and soundness of
 16 an enterprise; and

17 “(ii) enhancing transparency and con-
 18 sistency with respect to financial industry
 19 standards.”.

20 **SEC. 6. RISK TRANSFER REQUIREMENTS.**

21 (a) TRANSFER OF RISK.—Subpart A of part 2 of
 22 subtitle A of the Federal Housing Enterprises Financial
 23 Safety and Soundness Act of 1992 (12 U.S.C. 4541 et
 24 seq.) is amended by adding at the end the following:

1 **“SEC. 1329. TRANSFER OF RISK.**

2 “(a) IN GENERAL.—Not later than 2 years after the
3 date of the enactment of this section, the Director shall
4 require each enterprise to transfer the vast majority of
5 credit risk on single-family residential mortgages, as de-
6 termined by the Director, starting at the first dollar after
7 expected losses, using the most economically feasible
8 mechanism to ensure that credit risk is transferred at all
9 tranches of risk, as prompt as the market conditions will
10 facilitate, to a diversified pool of investors and insurers,
11 all on a safe and sound basis, to reduce the mortgage cred-
12 it risk concentration at the enterprises at a cost that is
13 considered reasonable and consistent with the level of
14 guarantee fees being charged.

15 “(b) CREDIT RISK TRANSFER TARGETS AND PUBLI-
16 CATION.—

17 “(1) TARGETS.—The Director shall, on an an-
18 nual basis, issue and publish guidance that describes
19 targets for credit risk transfer transactions.

20 “(2) REPORT TO CONGRESS.—The Director
21 shall, on an annual basis, submit to the Congress a
22 report that describes the results of the previous
23 year’s credit risk transfers.

24 “(c) CREDIT RISK TRANSFER STRUCTURES.—The
25 Federal Home Loan Mortgage Corporation and the Fed-
26 eral National Mortgage Association may use existing

1 Credit Risk Transfer structures, including Credit Insur-
 2 ance Risk Transfer (‘CIRT’), Agency Credit Insurance
 3 Structure (‘ACIS’), Connecticut Avenue Security (‘CAS’),
 4 or Structured Agency Credit Risk (‘STACR’), and Seller/
 5 Servicer Risk Share arrangements, for the risk transfer
 6 that is required under subsection (a).

7 “(d) ECONOMICALLY FEASIBLE DEFINED.—In this
 8 section, the term ‘economically feasible’ means the ability
 9 to consummate a risk-transfer trade in a manner that re-
 10 sults in the enterprise remaining profitable on its acquisi-
 11 tion of the underlying collateral in which the risk is trans-
 12 ferred.”.

13 (b) RISK BASED CAPITAL LEVELS.—Section
 14 1361(a)(1) of the Federal Housing Enterprises Financial
 15 Safety and Soundness Act of 1992 (12 U.S.C. 4611(a)(1))
 16 is amended to read as follows:

17 “(1) ENTERPRISES.—The Director shall, by
 18 regulation, establish risk-based capital requirements
 19 for the enterprises to ensure that the enterprises op-
 20 erate in a safe and sound manner, maintaining suffi-
 21 cient capital and reserves to support the risks that
 22 arise in the operations and management of the en-
 23 terprises, and promote consistency between the cap-
 24 ital treatment of credit risk transfer and comparable
 25 risk-transfer mechanism used by federally regulated

1 financial institutions. The capital requirements shall
 2 align with the actual credit risk characteristics of
 3 mortgages and mortgage-backed securities, including
 4 loan-to-value ratios, borrower credit scores, debt-to-
 5 income ratios, and product structure, and avoid cap-
 6 ital treatment that discourages or penalizes the use
 7 of prudent credit risk transfer mechanisms.”.

8 **SEC. 7. CAPITAL FRAMEWORK AND RETURN REGULATION**
 9 **FOR GOVERNMENT-SPONSORED ENTER-**
 10 **PRISES.**

11 (a) TREASURY LINE OF CREDIT AND PERIODIC COM-
 12 MITMENT FEE.—

13 (1) CONTINUATION OF TREASURY SUPPORT.—
 14 Notwithstanding section 8 of this Act, the lines of
 15 credit established under section 2.1 of the Senior
 16 Preferred Stock Purchase Agreements for each en-
 17 terprise shall remain in effect.

18 (2) AVAILABILITY OF UNUSED CREDIT FACIL-
 19 ITY.—Each enterprise shall retain access to any un-
 20 used and outstanding balances of the lines of credit
 21 described in paragraph (1), which shall serve exclu-
 22 sively as a catastrophic risk backstop subordinate to
 23 any capital requirements made by the Director pur-
 24 suant to section 1313B of the Federal Housing En-

1 terprises Financial Safety and Soundness Act of
2 1992 (12 U.S.C. 4513b).

3 (3) COMMITMENT FEE STRUCTURE.—To retain
4 access to the line of credit described in paragraph
5 (1), each enterprise shall pay an annual commitment
6 fee, the cost of which shall be determined by the
7 Secretary of the Treasury, in consultation with the
8 Director, based on prevailing market risk indicators,
9 including—

10 (A) credit default swap spreads of com-
11 parable financial institutions; and

12 (B) implied risk pricing in systemic risk
13 assessments determined by the Board of Gov-
14 ernors of the Federal Reserve System and the
15 Director.

16 (b) ESTABLISHMENT OF ALLOWABLE RETURN ON
17 EQUITY RANGE.—

18 (1) PURPOSE OF RETURN ON EQUITY RANGE.—
19 For the purposes of ensuring financial stability and
20 preventing excessive risk-taking, the Director, in
21 consultation with the Secretary of the Treasury,
22 shall establish a return on equity range requirement
23 for the enterprises.

24 (2) RETURN ON EQUITY RANGE DETERMINA-
25 TION.—The Director shall initially establish the re-

1 turn on equity range between 9 and 13 percent, as
 2 determined through an economic assessment of fi-
 3 nancial market conditions.

4 (3) REVIEW AND ADJUSTMENTS ON RETURN ON
 5 EQUITY RANGE.—Not later than 5 years after the
 6 date of the enactment of this section, and not later
 7 than every 5 years thereafter, the Director—

8 (A) shall review and adjust as necessary
 9 the return on equity range established under
 10 this section;

11 (B) may make adjustments to the range to
 12 a percentage that is outside the percentage
 13 range described in paragraph (2); and

14 (C) shall make the adjustments through
 15 rulemaking.

16 (c) COMMITMENT FEE ADJUSTMENTS AND CAPITAL
 17 RETENTION.—

18 (1) COMMITMENT FEE IN NORMAL OPERATING
 19 CONDITIONS.—In any fiscal year in which an enter-
 20 prise reports a return on equity range within the es-
 21 tablished range, the enterprise shall pay the commit-
 22 ment fee as determined under subsection (a)(3).

23 (2) CAPITAL RETENTION WHEN RETURN ON
 24 EQUITY FALLS BELOW THE LOWER BOUND.—In any
 25 fiscal year in which an enterprise reports a return

1 on equity range below the lower bound of the estab-
 2 lished range, the enterprise shall—

3 (A) be exempt from paying the commit-
 4 ment fee for such year; and

5 (B) prioritize the retention of earnings to
 6 bolster capital reserves, unless the core capital
 7 levels of the enterprise meet or exceed the min-
 8 imum requirements under any capital require-
 9 ments made by the Director pursuant to section
 10 1313B of the Federal Housing Enterprises Fi-
 11 nancial Safety and Soundness Act of 1992 (12
 12 U.S.C. 4513b).

13 (3) EXCESS EARNINGS REMITTANCE WHEN ROE
 14 EXCEEDS UPPER BOUND.—In any fiscal year in
 15 which an enterprise reports a return on equity range
 16 above the upper bound of the established range, the
 17 enterprise shall—

18 (A) pay the commitment fee as determined
 19 under subsection (a)(3); and

20 (B) remit all net earnings exceeding the
 21 upper bound to the Secretary of the Treasury
 22 to compensate the Federal Government for its
 23 implicit risk-bearing role.

24 (d) DIVIDEND RESTRICTIONS BASED ON CAPITAL
 25 ADEQUACY.—

1 (1) DIVIDEND RESTRICTION FOR CAPITAL DEFICI-
2 CIENCY.—An enterprise may not issue dividends in
3 any fiscal year in which the core capital of the enter-
4 prise falls below the minimum levels required under
5 any capital requirements made by the Director pur-
6 suant to section 1313B of the Federal Housing En-
7 terprises Financial Safety and Soundness Act of
8 1992 (12 U.S.C. 4513b).

9 (2) DIVIDEND ALLOWANCE IN LOW RETURN ON
10 EQUITY YEARS WITH ADEQUATE CAPITAL.—If an en-
11 terprise core capital meets or exceeds the minimum
12 capital requirements made by the Director pursuant
13 to section 1313B of the Federal Housing Enter-
14 prises Financial Safety and Soundness Act of 1992
15 (12 U.S.C. 4513b), dividend payments may not be
16 restricted, notwithstanding years in which the return
17 on equity falls below the lower bound of the estab-
18 lished range.

19 (e) IMPLEMENTATION AND REGULATORY OVER-
20 SIGHT.—

21 (1) RULEMAKING AND OVERSIGHT.—The Direc-
22 tor, in consultation with the Secretary of the Treas-
23 ury, shall issue rules to implement this section, in-
24 cluding—

1 (A) the methodologies for calculating the
2 commitment fee described in subsection (a)(3);

3 (B) the procedures for setting and adjust-
4 ing the return on equity range described in sub-
5 section (b);

6 (C) the capital retention requirements de-
7 scribed in subsection (c)(2); and

8 (D) the mechanisms for remittances of ex-
9 cess earnings described in subsection (c)(3)(B).

10 (2) ANNUAL REPORTING TO CONGRESS.—Not
11 later than 1 year after the date of the enactment of
12 this section, and annually thereafter, the Director
13 shall submit to the Financial Services Committee of
14 the House of Representatives and the Banking,
15 Housing, and Urban Affairs Committee of the Sen-
16 ate a report that details—

17 (A) the financial performance of each en-
18 terprise;

19 (B) the status of the lines of credit de-
20 scribed in subsection (a), including the amount
21 of unused credit available;

22 (C) the effect of the return on equity range
23 on housing finance stability and affordability;
24 and

1 (D) any recommendation for legislative or
2 regulatory adjustments to enhance the oversight
3 and risk management of the enterprises.

4 (f) DEFINITIONS.—In this section:

5 (1) DIRECTOR.—The term “Director” means
6 the Director of the Federal Housing Finance Agen-
7 cy.

8 (2) ENTERPRISE.—The term “enterprise” has
9 the meaning given such term in section 1303 of the
10 Federal Housing Enterprises Financial Safety and
11 Soundness Act of 1992 (12 U.S.C. 4502).

12 (3) ESTABLISHED RANGE.—The term “estab-
13 lished range” means the return on equity range es-
14 tablished under subsection (b) and any adjustments
15 made to such range under subsection (b)(3).

16 (4) RETURN ON EQUITY.—The term “return on
17 equity” means the annual net income of the enter-
18 prise divided by value of total shareholder equity of
19 the enterprise, expressed as a percentage.

20 (5) SENIOR PREFERRED STOCK PURCHASE
21 AGREEMENT.—The term “Senior Preferred Stock
22 Purchase Agreement” means, with respect to an en-
23 terprise, the Amended and Restated Senior Pre-
24 ferred Stock Purchase Agreements, dated September
25 26, 2008, amended May 6, 2009, further amended

1 December 24, 2009, and further amended August
2 17, 2012, between the Secretary of the Treasury
3 and such enterprise.

4 **SEC. 8. STOCK OF EACH ENTERPRISE; PLAN TO TERMINATE**
5 **CONSERVATORSHIP.**

6 (a) SENIOR PREFERRED STOCK CONVERSION.—The
7 Secretary of the Treasury may convert the Senior Pre-
8 ferred Stocks of each enterprise into common equity.

9 (b) NO RESUMPTION OF PERIODIC COMMITMENT
10 FEE.—The Secretary of the Treasury shall not require the
11 enterprises to adhere to the periodic commitment fee de-
12 scribed in section 3.2 of the Senior Preferred Stock Pur-
13 chase Agreements.

14 (c) EXERCISE OF WARRANTS FOR COMMON
15 STOCK.—The Secretary of the Treasury shall exercise the
16 warrants for the purchase of common stock of the enter-
17 prises provided to the Secretary under the Senior Pre-
18 ferred Stock Purchase Agreements.

19 (d) PREPARATION TO TERMINATE CONSERVATOR-
20 SHIP.—

21 (1) CAPITAL STANDARDS.—Not later than 90
22 after the date of the enactment of this section, the
23 Director of the Federal Housing Finance Agency
24 shall make a determination with respect to necessary

1 capital standards for each enterprise to exit con-
2 servatorship.

3 (2) INSUFFICIENT CAPITAL.—If an enterprise
4 does not meet the capital standards described in
5 paragraph (1), the Director of the Federal Housing
6 Finance Agency shall—

7 (A) direct the enterprise to sell stock to
8 meet capital standards;

9 (B) define capital thresholds that deter-
10 mine the level of intervention by the Director;
11 and

12 (C) determine a timeline for the enterprise
13 to reach necessary capital standards.

14 (3) COMMITMENT TO RESTRUCTURE.—Not
15 later than 1 year after the date of the enactment of
16 this section, the Secretary of the Treasury and each
17 enterprise shall restructure the investment and divi-
18 dend amount of the Department of the Treasury
19 with respect to each enterprise in a manner that fa-
20 cilitates the orderly exit from conservatorship.

21 (e) SALE OF STOCKS.—Not later than 2 years after
22 the date of the enactment of this section, the Secretary
23 of the Treasury shall sell the stock from exercising its war-
24 rants described in subsection (c).

25 (f) DEFINITIONS.—In this section:

1 (1) ENTERPRISE.—The term “enterprise” has
2 the meaning given such term in section 1303 of the
3 Federal Housing Enterprises Financial Safety and
4 Soundness Act of 1992 (12 U.S.C. 4502).

5 (2) SENIOR PREFERRED STOCK PURCHASE
6 AGREEMENT.—The term “Senior Preferred Stock
7 Purchase Agreement” means, with respect to an en-
8 terprise, the Amended and Restated Senior Pre-
9 ferred Stock Purchase Agreements, dated September
10 26, 2008, amended May 6, 2009, further amended
11 December 24, 2009, and further amended August
12 17, 2012, between the Secretary of the Treasury
13 and such enterprise.

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