

Comparison of House and Senate FHA bills

(as passed the House on 9/18/07 and as passed Senate Banking Committee on 9/19/07)

SUMMARY OF GENERAL PROVISIONS

| Subject | Current Law | HR 1852 – as passed the House | Senate – as passed Banking Committee |
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| Loan Limits | Maximum loan is the lesser of 95% of median price in the area or 87% of FHLMC conforming loan limit. | Would raise the loan limit to the lesser of 125% of median home price or 175% of the conforming loan limit. However, the limit can not fall below 65% of the conforming loan limit. In addition, the Secretary may raise any individual limit by an additional \$100,000, if appropriate. | Would raise the floor (low cost limit) from 48% to 65% of the conforming limit and the high cost limit from 87% to 100% of conforming. |
| Downpayment | Borrowers are generally required to pay 3% in cash. | Eliminates the 3% downpayment requirement, allowing FHA to offer zero-downpayment loans. | Lowers downpayment requirement from 3% to 1.5 cash investment (to include gifts from family members). |
| Loan Term | The maximum term on a mortgage for a single family home is 30 years. The term for loans approved prior to home construction is 35 years. | Allows FHA to insure loans up to 40 years in length. | No change in maximum loan term. |
| Counseling | Counseling is available to owner who is, or is expected to be, unable to make payments due to unemployment or reduction in employment. | Requires that “high-risk” borrowers (those with a FICO less than 560) or those with “high risk loans” (less than 3% down) receive pre-purchase counseling. Also provides \$100 million for counseling program. | Creates a pilot program for pre-purchase counseling and makes available post-purchase counseling. |
| Home Equity Conversion Mortgages (Reverse Mortgages) | FHA may insure home equity conversion mortgages, but authority to do so is capped at 250,000 mortgages, and the amount of insurance is limited to a cap on single family mortgages. Insurance on leased property if lease is a renewable 99 year lease. | Eliminates the cap on the number of HECMs which can be insured, provides for a national mortgage loan limit of 100% of the conforming loan limit, and limits the origination fee to 1.5%. Also allows HECM to be used for home purchase. | Same as House bill except: Does not change requirement for 99 year renewable lease. The purpose of the loan must be to purchase a 1- to 4- family dwelling unit, not the “primary purpose.” |
| Funds for FHA Technology/HR | | Provides \$25 million of FHA excess reserves to be used for technology, human resources and infrastructure | Same as House bill. |

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| | | improvements. | |
| Risk-Based Pricing | <p>Premiums established by the Secretary, within statutory limits. Up front premium is capped at 2.25%. Currently all borrowers pay the same premiums.</p> <p>The FHA is planning to institute risk based premium structure in 2008 for single family loans. Premiums will be adjusted by borrower's credit score and down payment.</p> | Allows FHA to risk-based price loans for borrowers who pay less than 3% downpayment. For those with higher premiums, requires HUD to reduce premiums after history of on-time payments. | No similar provision. |
| National Housing Trust Fund | | Includes provision taking excess income derived from this act out of the HECM program and the FHA (non-203b program) and uses them for a National Housing Trust Fund (established under separate legislation). | No similar provision. |
| Condominium Program | FHA may insure mortgages on condominium units, if at least 80% of the units are occupied by the mortgagors with FHA insured loans. Condominium loans are held in the GI/SRI fund. | Moves condo fund into the MMIF fund. Authorizes insurance for condominiums under general 1- to 4-family program. The multi-family project insurance is limited to projects that have an FHA insured blanket mortgage. Manufactured homes in multi-family projects eligible. | Same as House bill but includes additional amendments described below relating to manufactured homes. |
| Thin Credit Files | Currently FHA allows lenders to underwrite thin credit file borrowers on a case-by-case basis. | Authorizes a pilot program for FHA to develop an automated process to evaluate potential borrowers who have insufficient credit histories. | Same as House bill. |
| Standard and High Risk Borrowers | <p>All borrowers who qualify for FHA financing are treated the same, with no differentiation of risk.</p> <p>The FHA is planning to institute risk based premium structure in 2008 for single family</p> | <p>Defines standard risk as a loan by a borrower making at least a 3% cash down payment and that has an LTV of 97.75% or less.</p> <p>Requires HUD to establish underwriting standards for "higher-risk" borrowers, defined with those with a credit score equivalent to less than</p> | No similar provision. |

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| | loans. Premiums will be adjusted by borrower's credit score and down payment. | 560. | |
| Seller-Funded Downpayment Assistance | <p>Down payment can be borrowed from a family member, or any eligible non-profit (including ones who use funds derived from a seller), so long as any loan given is subordinate to the insured mortgage, and total LTV is not greater than 100%.</p> <p>However, HUD is expected to soon publish a Final Rule prohibiting downpayment assistance from anyone party to the transaction.</p> | Requires HUD to allow downpayment assistance from a qualified homeownership assistance entity, but only if there is no obligation on the part of the mortgagor to repay the gift. Such entities must evidence fiscal soundness by maintaining a net worth of \$4,000,000 of acceptable assets. | Prohibits downpayment assistance from anyone party to the transaction, but would permit assistance from family members. |
| Manufactured Housing | FHA may insure financial institutions against losses on home improvement, construction, and manufactured home loans. FHA cannot insure more than 10% of the institution's portfolio of such loans. | House passed FHA manufactured housing reform bill (HR 2139) in June 2007. This bill would increase the loan limits for manufactured homes, and remove disincentives that discourage investor participation in these loans. | Includes title to reform the FHA manufactured housing program, similar to the House bill. |