

115TH CONGRESS 1ST SESSION

H. R. 3134

To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes.

IN THE HOUSE OF REPRESENTATIVES

June 29, 2017

Ms. Kaptur (for herself, Mr. Clay, Mr. Evans, Mr. Brady of Pennsylvania, Ms. Fudge, Ms. Jayapal, and Ms. Pingree) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To direct the Secretary of the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to develop a program to provide assistance to creditworthy borrowers with Federal student debt in purchasing certain foreclosed homes.

- 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 "Transforming Student
- 5 Debt to Home Equity Act of 2017".
- 6 SEC. 2. FINDINGS.
- 7 Congress finds the following:

- 1 (1) In the fourth quarter of 2016, over 2 17,200,000 homes remain vacant in the United 3 States.
 - (2) These extended vacancies depress neighborhood property values and create a downward spiral in neighborhood stability in already troubled communities.
 - (3) Meanwhile, due to climbing expenses of higher education, the total Federal student debt owed equals \$1,300,000,000.
 - (4) More than 40,000,000 Americans have at least one outstanding student loan, up dramatically from 29,000,000 Americans just 10 years ago.
 - (5) Student loan repayments are forcing millions of young families out of purchasing their first home, as they cannot afford to save for a down payment or qualify for a mortgage.
 - (6) It is imperative to find a way to systematically convert debt streams into equity streams, otherwise housing purchases will continue to be sluggish and thousands more Americans will retire saddled with student loan debt never having had the opportunity to accumulate equity.
 - (7) It is in the interest of the Federal Government to use the resources at its disposal, including

- 1 both housing properties held in trust and student 2 debt obligations, to put reverse pressure on these downward trends. 3
 - (8) By arranging financing that recalculates debt-to-income ratios, mortgage interest rates, and other factors, short-term student debt could transition into longer term home ownership.
 - (9) The goal is to connect creditworthy Federal student debt holders with housing properties for sale but held by the Federal Government.
- (10) Eventually, participants can help restore 12 neighborhoods, transform their debt to equity, and 13 buy property values locally and on the Federal ledg-14 er simply by maintaining and investing in a home 15 mortgage.

16 SEC. 3. PROGRAM TO EXPAND ACCESS TO MORTGAGES TO

- 17 **CREDITWORTHY** ELIGIBLE HOMEBUYERS 18 WITH FEDERAL STUDENT LOAN DEBT.
- 19 (a) Establishment.—From amounts appropriated pursuant to subsection (g), the Secretary of the Depart-21 ment of Housing and Urban Development and the Director of the Federal Housing Finance Agency shall jointly 22 23 establish and carry out a pilot demonstration program to
- provide assistance to eligible applicants in purchasing eli-
- 25 gible properties.

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1	(b) ELIGIBLE APPLICANTS.—To be eligible for the
2	program established in this Act, an applicant—
3	(1) shall have an outstanding balance of prin-
4	cipal or interest owing on a loan made, insured, or
5	guaranteed under title IV of the Higher Education
6	Act of 1965 (20 U.S.C. 1070 et seq.);
7	(2) may not be subject to a judgment secured
8	through litigation with respect to such a loan under
9	title IV of the Higher Education Act of 1965 (20
10	U.S.C. 1070 et seq.), may not be subject to an order
11	for wage garnishment under section 488A of such
12	Act (20 U.S.C. 1095a), and at the time of applica-
13	tion for participation in the program under this sec-
14	tion—
15	(A) such a loan shall be in repayment sta-
16	tus as determined under section 428(b)(7)(A)
17	of such Act (20 U.S.C. $1078(b)(7)(A)$); or
18	(B) such a loan shall be in a grace period
19	preceding repayment;
20	(3) may not have owned a home during the 3-
21	year period immediately before the applicant pur-
22	chases an eligible property with assistance provided
23	under this Act;
24	(4) shall complete a program of counseling with
25	respect to the responsibilities and financial manage-

1	ment involved in homeownership that is approved by
2	the Secretary;
3	(5) shall be creditworthy, as determined by the
4	Secretary and the Director;
5	(6) shall agree to use an eligible property pur-
6	chased with assistance provided under this Act as
7	the applicant's primary residence for not less than
8	the 3-year period beginning on the date of such pur-
9	chase; and
10	(7) shall be employed and earning sufficient in-
11	come to repay a mortgage loan, as determined by
12	the Secretary and the Director for the purposes of
13	this program.
14	(c) Types of Assistance.—
15	(1) IN GENERAL.—A program established under
16	this Act may provide for any one or more of the fol-
17	lowing options:
18	(A) A discount on the appraised value of
19	an eligible property.
20	(B) Flexibility in underwriting standards
21	related to the purchase of eligible properties for
22	mortgages insured under title II of the National
23	Housing Act (12 U.S.C. 1707 et seq.) or owned
24	or guaranteed by the Federal National Mort-

- gage Association or the Federal Home Loan
 Mortgage Corporation.
 - (C) The development of new mortgage products specifically targeted to eligible applicants.
 - (D) In coordination with the Department of the Treasury and the Department of Education, the development of a program that will use actuarial information to determine how the repayment of loans described in subsection (b)(1) may be integrated into a mortgage repayment schedule to allow an eligible applicant to accumulate equity in the eligible property, including by reason of meeting the eligible applicant's obligations under such student loan.
 - (E) Any other assistance that the Secretary and Director jointly deem appropriate.
 - (2) Collaboration.—In providing assistance described under paragraph (1), the Secretary and the Director may collaborate with community banks having less than \$10,000,000,000 in total assets, credit unions (as defined in section 101 of the Federal Credit Union Act), and local fair housing organizations.

- 1 (d) Geographical Diversity.—In selecting eligible
- 2 applicants to receive assistance under this Act, the Sec-
- 3 retary and the Director shall, to the extent practicable,
- 4 consider the location of the eligible property to be pur-
- 5 chased by the eligible applicant, including whether the eli-
- 6 gible property is located in a rural or urban area, to ensure
- 7 geographic diversity of such eligible properties.
- 8 (e) Reports.—
- 9 (1) Interim report.—Not later than 90 days
- after the date of the enactment of this Act, the Sec-
- 11 retary and the Director shall submit to Congress an
- interim report describing the type of assistance the
- 13 Secretary and the Director shall provide under the
- program established under this Act.
- 15 (2) Final Report.—Not later than 3 years
- after the date of the enactment of this Act, the Sec-
- 17 retary and the Director shall submit to Congress a
- final report evaluating the impact of the program
- 19 carried out under this Act and describing other
- 20 types of assistance the Secretary and the Director
- 21 may offer.
- 22 (f) Definitions.—In this Act:
- 23 (1) Director.—The term "Director" means
- the Director of the Federal Housing Finance Agen-
- 25 cy.

1	(2) Secretary.—The term "Secretary" means
2	the Secretary of the Department of Housing and
3	Urban Development.
4	(3) Eligible Property.—The term "eligible
5	property" means a property that is designed as a
6	dwelling for occupancy by 1 to 4 families—
7	(A) that is safe and habitable, as defined
8	by the Secretary and the Director;
9	(B) for which, as determined by the Sec-
10	retary and the Director, the occupancy of which
11	will promote community revitalization; and
12	(C) that—
13	(i) was previously subject to a mort-
14	gage loan insured by the Federal Housing
15	Administration under title II of the Na-
16	tional Housing Act (12 U.S.C. 1707 et
17	seq.) and is owned by the Secretary pursu-
18	ant to the payment of insurance benefits
19	under such Act; or
20	(ii) is a real estate owned property of
21	the Federal National Mortgage Association
22	or the Federal Home Loan Mortgage Cor-
23	poration.

- 1 (g) AUTHORIZATION OF APPROPRIATIONS.—There
- 2 are authorized to be appropriated such sums as necessary

 $3\,\,$ to carry out this Act for fiscal years 2018 to 2020.

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