^{117TH CONGRESS} 2D SESSION H.R. 7368

AUTHENTICATED U.S. GOVERNMENT INFORMATION

> To direct the Secretary 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 owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

April 1, 2022

Ms. KAPTUR (for herself, Ms. NORTON, and Mrs. AXNE) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

- To direct the Secretary 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 owned by the Federal Government, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and local land banks, 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,

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the "Transforming Student3 Debt to Home Equity Act of 2022".

4 SEC. 2. FINDINGS.

5 Congress finds the following:

6 (1) In the third quarter of 2021, over
7 15,185,000 homes remain vacant in the United
8 States.

9 (2) These extended vacancies depress neighbor-10 hood property values and create a downward spiral 11 in neighborhood stability in already troubled commu-12 nities.

13 (3) Meanwhile, due to climbing expenses of
14 higher education, the total Federal student debt
15 owed equals \$1,750,000,000,000.

16 (4) More than 44,700,000 Americans have at17 least one outstanding student loan.

18 (5) Student loan repayments are forcing mil19 lions of young families to delay purchasing their
20 first home, as they cannot afford to save for a down21 payment or qualify for a mortgage while also paying
22 off student debt.

(6) Data from the Federal Reserve shows that
non-Hispanic White households have a median net
worth of \$181,440, while Black households have a
median net worth of \$20,730 and Hispanic house-

1 holds have \$36,180; providing innovative financial 2 products will allow the United States to reduce the 3 racial wealth gap and to ensure equitable access to 4 housing and economic mobility. (7) The COVID-19 pandemic has exacerbated 5 6 the racial wealth gap by increasing unemployment 7 within already disadvantaged communities and fur-8 ther reducing access to homeownership and increas-9 ing the burden of student debt. 10 (8) According to a report from the Joint Center 11 for Housing Studies of Harvard University, Black 12 and Hispanic households are more likely to have 13 their household income decline and to face hardship 14 in paying rent and other monthly housing costs due 15 to the COVID–19 pandemic.

16 (9) It is imperative to create a demonstration 17 program to design financial pathways to, where pos-18 sible, systematically convert some student debt 19 streams into equity streams through negotiation of 20 mortgages; otherwise housing purchases will con-21 tinue to be sluggish among first-time home buyers 22 and thousands more Americans will enter their mid-23 years saddled with student loan debt never having 24 had the opportunity to accumulate equity.

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1	(10) It is in the interest of the Federal Govern-
2	ment to use the resources at its disposal, including
3	both housing properties held in trust and student
4	debt obligations, to put reverse pressure on these
5	downward trends.
6	(11) By arranging financing that recalculates
7	terms, debt-to-income ratios, mortgage interest
8	rates, and other factors, short-term student debt
9	could transition into longer-term home ownership.
10	(12) The goal is to connect creditworthy Fed-
11	eral student debt holders with housing properties for
12	sale and held by the Federal Government and local
13	land banks.
14	(13) Over time, participants can help restore
15	neighborhoods, transform their debt to equity, and
16	stabilize secured property values locally and on the
17	Federal ledger by maintaining and investing in a
18	home mortgage.
19	SEC. 3. PROGRAM TO EXPAND ACCESS TO MORTGAGES TO
20	ELIGIBLE CREDITWORTHY HOME BUYERS
21	WITH FEDERAL STUDENT LOAN DEBT.
22	(a) ESTABLISHMENT.—From amounts appropriated
23	pursuant to subsection (g), the Secretary of Housing and
24	Urban Development and the Director of the Federal

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1	Housing Finance Agency shall establish and carry out a
2	pilot demonstration program to—
3	(1) provide assistance to eligible applicants in
4	purchasing eligible properties; and
5	(2) subsequently analyze the results of the pro-
6	vision of such assistance.
7	(b) CONSULTATION.—In establishing and carrying
8	out the program pursuant to subsection (a), the Secretary
9	and the Director shall consult with—
10	(1) the Director of the Consumer Financial
11	Protection Bureau;
12	(2) the Secretary of Agriculture;
13	(3) the Secretary of Veterans Affairs;
14	(4) the Secretary of Education; and
15	(5) the Secretary of the Treasury.
16	(c) ELIGIBLE APPLICANTS.—To be eligible for the
17	program established pursuant to subsection (a), an appli-
18	cant—
19	(1) shall have an outstanding balance of prin-
20	cipal or interest owing on a Federal loan made, in-
21	sured, or guaranteed under title IV of the Higher
22	Education Act of 1965 (20 U.S.C. 1070 et seq.);
23	(2) shall have an area median income at or
24	below 120 percent;

1	(3) may not be subject to a judgment secured
2	through litigation with respect to such a loan under
3	title IV of the Higher Education Act of 1965 (20
4	U.S.C. 1070 et seq.), may not be subject to an order
5	for wage garnishment under section 488A of such
6	Act (20 U.S.C. 1095a), and at the time of applica-
7	tion for participation in the program under this sec-
8	tion—
9	(A) such a loan shall be in repayment sta-
10	tus as determined under section $428(b)(7)(A)$
11	of such Act $(20 \text{ U.S.C. } 1078(b)(7)(A))$; or
12	(B) such a loan shall be in a grace period
13	preceding repayment;
14	(4) may not have owned a home during the 3-
15	year period immediately before the applicant pur-
16	chases an eligible property with assistance provided
17	under this section;
18	(5) shall complete a program of counseling with
19	respect to the responsibilities and financial manage-
20	ment involved in homeownership that is approved by
21	the Secretary;
22	(6) shall be creditworthy, as determined by the
23	Secretary and the Director;
24	(7) shall agree to use an eligible property pur-
25	chased with assistance provided under this section as

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the applicant's primary residence for not less than
the 3-year period beginning on the date of such pur-
chase; and
(8) shall be employed and earning sufficient in-
come to repay a mortgage loan, as determined by
the Secretary and the Director for the purposes of
this program.
(d) Types of Assistance.—
(1) IN GENERAL.—A program established under
this section may provide for any one or more of the
following options:
(A) A discount on the appraised value of
an eligible property.
(B) Flexibility in underwriting standards
related to the purchase of eligible properties for
mortgages insured under title II of the National
Housing Act (12 U.S.C. 1707 et seq.) or owned
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 appli-
cants.
(D) Downpayment and private mortgage
assistance to eligible applicants.

1	(E) Pre-purchase counseling including re-
2	lated credit and financial coaching to eligible
3	applicants.
4	(F) Provision of a low- or no-interest mort-
5	gage rate.
6	(G) Any other assistance that the Sec-
7	retary and Director jointly deem appropriate.
8	(2) Repayment integration.—The Secretary
9	shall establish a program that will integrate repay-
10	ment of loans described in subsection $(c)(1)$ into a
11	mortgage repayment schedule to allow an eligible ap-
12	plicant to accumulate equity in the eligible property.
13	The Secretary shall use actuarial data and risk as-
14	sessments to collateralize the mortgage provided
15	through Federal funds.
16	(3) Collaboration.—In providing assistance
17	described under paragraph (1), the Secretary and
18	the Director may collaborate with—
19	(A) community banks having less than
20	\$10,000,000,000 in total assets;
21	(B) credit unions (as defined in section
22	101 of the Federal Credit Union Act);
23	(C) local fair housing organizations; and
24	(D) local land banks.

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1 (e) GEOGRAPHICAL DIVERSITY.—In selecting eligible 2 applicants to receive assistance under this section, 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 (f) Reports.—

9 (1) INTERIM REPORT.—Not later than 180 10 days after the date of the enactment of this section, 11 the Secretary and the Director shall submit to Con-12 gress an interim report describing the type of assist-13 ance the Secretary and the Director shall provide 14 under the program established under this section.

(2) FINAL REPORT.—Not later than 3 years
after the date of the enactment of this section, the
Secretary and the Director shall submit to Congress
a final report that—

(A) evaluates the impact of the program
carried out under this section and describes any
findings;

(B) identifies other types of assistance theSecretary and the Director may offer; and

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(C) includes any recommendations the Sec-
retary and Director may have for improving the
program.
(g) DEFINITIONS.—In this section:
(1) DIRECTOR.—The term "Director" means
the Director of the Federal Housing Finance Agen-
cy.
(2) Secretary.—The term "Secretary" means
the Secretary of the Department of Housing and
Urban Development.
(3) ELIGIBLE PROPERTY.—The term "eligible
property" means a property that is designed as a
dwelling for occupancy by 1 to 4 families—
(A) that is safe and habitable, as defined
by the Secretary and the Director;
(B) the occupancy of which, as determined
by the Secretary and the Director, will promote
community revitalization; and
(C) that—
(i) was previously subject to a mort-
gage loan insured by the Federal Housing
Administration under title II of the Na-
tional Housing Act (12 U.S.C. 1707 et
seq.) and is owned by the Secretary pursu-

1	ant to the payment of insurance benefits
2	under such Act;
3	(ii) is a real estate owned property of
4	the Federal National Mortgage Association
5	or the Federal Home Loan Mortgage Cor-
6	poration;
7	(iii) is owned by a local land bank;
8	(iv) is owned by the Department of
9	Agriculture; or
10	(v) is owned by the Department of
11	Veterans Affairs.
12	(4) LOCAL LAND BANK.—The term "local land
13	bank" means—
14	(A) a governmental or nongovernmental
15	nonprofit entity established, at least in part, to
16	assemble, temporarily manage, and dispose of
17	vacant land for the purpose of stabilizing neigh-
18	borhoods and encouraging re-use or redevelop-
19	ment of urban property; or
20	(B) such other governmental or nongovern-
21	mental entity as the Secretary and the Director
22	may determine appropriate.
23	(h) AUTHORIZATION OF APPROPRIATIONS.—There
24	are authorized to be appropriated such sums as necessary

1 to carry out this section for fiscal years 2023, 2024, and

2 2025.