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**Congressional Research Service: H.R.1859**

**Latest Title:** Housing Finance Reform Act of 2011

**Sponsor:** Rep Campbell, John [CA-48] (introduced 5/12/2011)    Cosponsors (1)

**Latest Major Action:** 5/12/2011 Referred to House committee. Status: Referred to the House Committee on Financial Services.

**CRS SUMMARY AS OF:**

5/12/2011--Introduced.

**Housing Finance Reform Act of 2011** - Amends the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to authorize the Director of the Federal Housing Finance Agency (FHFA) to: (1) provide for the organization, incorporation, examination, operation, and regulation of housing finance guaranty associations (which may be corporations, mutual associations, partnerships, limited liability corporations, cooperatives, or other appropriate organizational forms); and (2) issue charters for them.

Authorizes the Director, upon an organizer's application, to issue a special purpose charter if the operations of the proposed association would be limited to serving a particular mortgage market, such as multifamily housing, or a particular category of mortgage lenders, such as community banks.

Authorizes national banks, state banks, trust companies, federal or state credit unions, or other

banking organizations, including bank holding companies and savings and loan holding companies, to acquire an interest in an association, and hold or dispose of it, subject to the approval by the appropriate federal banking agency.

Authorizes associations to purchase, hold, sell, and otherwise deal in conventional mortgages only for the purpose of: (1) creating a secondary market for them, including new conventional mortgage products; (2) facilitating their securitization; and (3) supporting multifamily housing.

Prohibits an association from originating or servicing a mortgage or performing other specified actions.

Directs the Director to establish an Office of Securitization within the FHFA to facilitate the securitization of conventional mortgages. Requires the Office to create, label, administer, and service FHFA securities issued by associations.

Requires the Comptroller General to determine the market value of the catastrophic guarantee of FHFA securities, and the Director to establish a pricing structure for guarantee fees by associations, based on the market value study, that provides for a reasonable rate of return to associations.

Exempts FHFA securities from registration under the Securities Act of 1933 and the requirements of the Securities Exchange Act of 1934.

Requires the Director to require each association to disclose publicly information about the composition of each pool of mortgages backing any FHFA security it issues.

Requires the Director to guarantee the timely payment of the principal and interest of FHFA securities (the catastrophic federal guarantee), pledged by the full faith and credit of the United States.

States that a guarantee shall apply only if: (1) the issuing association has been placed into conservatorship or receivership by the Director, and (2) the Reserve Fund (established by this Act) lacks sufficient funds to make the required principal and interest payments.

Requires the Director to: (1) establish an annual fee to be paid by associations for a guarantee issued in connection with FHFA securities issued by them, (2) impose and collect such fees through the Office of Securitization, (3) establish a Reserve Fund which shall be credited with all such fees, (4) impose a special assessment on associations to recoup all costs associated with any guarantee payments made, and (5) supervise all associations.

Directs the Director to establish: (1) risk-based and leverage capital standards for associations, (2) standards for the management and operations of associations, and (3) underwriting standards for conventional mortgages purchased by an association.

Requires the Director to prohibit any association from purchasing any conventional mortgage for which the maximum original principal obligation exceeds 150% of a figure determined according to a specified formula.

Repeals affordable housing goals.

Amends the Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act to subject the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (government-sponsored enterprises or GSEs ) to state and local taxes.

Directs the Director to issue regulations that require each GSE to: (1) reduce its total mortgage assets to not more than \$250 billion within five years, and (2) increase guarantee fees.

Requires the Director to place the GSEs into receivership no later than one year after five or more associations, two of which are not special purpose associations, have been chartered.

Pledges the full faith and credit of the United States to the payment of all debt obligations of the enterprises and all mortgage-backed securities issued by the GSEs until they mature or are redeemed.