

110TH CONGRESS  
1ST SESSION

# S. 2169

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 16, 2007

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, 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 “Promoting Refinancing  
5 Opportunities for Mortgages Impacted by the Subprime  
6 Emergency Act of 2007” or the “PROMISE Act”.

1 **SEC. 2. FINDINGS.**

2 Congress finds that—

3 (1) American families will be severely harmed  
4 by an unprecedented wave of anticipated foreclosures  
5 expected to occur over the coming months, as ad-  
6 justable rate subprime mortgages reset to higher in-  
7 terest rates;

8 (2) preventing such foreclosures and facilitating  
9 the refinancing of at-risk subprime borrowers into  
10 safe, affordable loans will require the additional li-  
11 quidity provided by the Federal National Mortgage  
12 Association and the Federal Home Loan Mortgage  
13 Association, and any affiliates thereof;

14 (3) the failure to prevent these anticipated fore-  
15 closures could have devastating effects on household  
16 wealth, neighborhood property values, and the over-  
17 all health of the broader economy; and

18 (4) the Federal National Mortgage Association  
19 and the Federal Home Loan Mortgage Corporation,  
20 and any affiliates thereof, are currently constrained  
21 from purchasing large volumes of subprime  
22 refinancings by portfolio limitations, as set forth by  
23 the Office of Federal Housing Enterprise Oversight.

24 **SEC. 3. DEFINITIONS.**

25 For purposes of this Act, the following definitions  
26 shall apply:

1           (1) DIRECTOR.—The term “Director” means  
2 the Director of the Office of Federal Housing Enter-  
3 prise Oversight of the Department of Housing and  
4 Urban Development.

5           (2) ENTERPRISE.—The term “enterprise”  
6 means—

7                   (A) the Federal National Mortgage Asso-  
8 ciation, and any affiliate thereof; and

9                   (B) the Federal Home Loan Mortgage  
10 Corporation, and any affiliate thereof.

11           (3) FANNIE MAE CONSENT DECREE.—The term  
12 “Fannie Mae Consent Decree” means the order of  
13 the Office of Federal Housing Enterprises Oversight  
14 dated May 23, 2006, in the matter of the Federal  
15 National Mortgage Association.

16           (4) FREDDIE MAC LETTER.—The term  
17 “Freddie Mac Letter” means the letter dated July  
18 31, 2006, from the Chairman and Chief Executive  
19 Officer of the Federal Home Loan Mortgage Cor-  
20 poration to the Director.

21           (5) OFHEO.—The term “OFHEO” means the  
22 Office of Federal Housing Enterprises Oversight.

1 **SEC. 4. LIFTING OF PORTFOLIO CAPS.**

2 (a) IN GENERAL.—Immediately upon the date of en-  
3 actment of this Act, the Director shall terminate, suspend,  
4 modify, or otherwise lift—

5 (1) the limitation on growth provision set forth  
6 in section 4, Article III of the Fannie Mae Consent  
7 Decree; and

8 (2) the voluntary temporary growth limitation  
9 described in the Freddie Mac Letter.

10 (b) FACTORS.—In carrying out subsection (a), the  
11 Director shall increase the mortgage portfolio limitations  
12 of both enterprises by not less than 10 percent.

13 (c) ALLOCATION.—

14 (1) IN GENERAL.—Eighty-five percent of the  
15 portfolio increase described in subsection (b) shall be  
16 used for the purpose of refinancing subprime mort-  
17 gages at risk of foreclosure.

18 (2) DEFINITIONS.—The Director may establish  
19 criteria defining the term “subprime mortgage”, as  
20 the Director determines necessary.

21 (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
22 tion shall be construed to prevent or prohibit the Director  
23 from exercising any authority of the Director to terminate,  
24 suspend, modify, or otherwise lift the limitations ref-  
25 erenced in paragraphs (1) and (2) of subsection (a) be-

1 yond the minimum increase specified in subsection (b), as  
2 the Director deems appropriate.

3 **SEC. 5. SUNSET PROVISION.**

4       This Act is repealed, effective 6 months after the date  
5 of enactment of this Act, and the authority of the Director  
6 under this Act is terminated on that date of repeal.

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