

110TH CONGRESS  
2D SESSION

# S. 2574

To amend the Internal Revenue Code of 1986 to allow the use of qualified mortgage revenue bonds for refinancing mortgages and to provide a temporary increase in the volume cap for such bonds.

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IN THE SENATE OF THE UNITED STATES

JANUARY 30, 2008

Mr. REID (for Mrs. CLINTON) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow the use of qualified mortgage revenue bonds for refinancing mortgages and to provide a temporary increase in the volume cap for such bonds.

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 “Mortgage Refinancing  
5 Initiative Act of 2008”.

6       **SEC. 2. USE OF MORTGAGE BONDS FOR REFINANCINGS.**

7       (a) TEMPORARY USE OF QUALIFIED MORTGAGE  
8 BONDS PROCEEDS FOR REFINANCING EXISTING MORT-

1 GAGES.—Section 143(k) of the Internal Revenue Code of  
2 1986 (relating to other definitions and special rules) is  
3 amended by adding at the end the following new para-  
4 graph:

5           “(12) CERTAIN MORTGAGE REFINANCINGS AL-  
6           LOWED.—

7                   “(A) IN GENERAL.—Notwithstanding the  
8                   requirements of subsection (i)(1), the proceeds  
9                   of a qualified mortgage issue may be used to re-  
10                   finance an existing mortgage.

11                   “(B) SPECIAL RULES.—In applying this  
12                   paragraph to any case in which the proceeds of  
13                   a qualified mortgage issue are used for any refi-  
14                   nancing described in subparagraph (A)—

15                           “(i) subsection (a)(2)(D)(i) shall be  
16                           applied by substituting ‘12-month period’  
17                           for ‘42-month period’ each place it ap-  
18                           pears,

19                           “(ii) subsection (d) (relating to 3-year  
20                           requirement) shall not apply, and

21                           “(iii) subsection (e) (relating to pur-  
22                           chase price requirement) shall be applied  
23                           by using the market value of the residence  
24                           at the time of refinancing in lieu of the ac-  
25                           quisition cost.

1           “(C) TERMINATION.—This paragraph shall  
2           not apply to any bonds issued after December  
3           31, 2009.”.

4           (b) INCREASED VOLUME CAP FOR REFINANCINGS.—

5           (1) IN GENERAL.—Subsection (d) of section  
6           146 of the Internal Revenue Code of 1986 is amend-  
7           ed by adding at the end the following new para-  
8           graph:

9           “(5) TEMPORARY INCREASE AND SET ASIDE  
10          FOR MORTGAGE REFINANCING.—

11          “(A) IN GENERAL.—The State ceiling for  
12          any State for any calendar year shall be in-  
13          creased by the amount allocated to such State  
14          by the Secretary under subparagraph (C).

15          “(B) LIMITATION.—There is a national  
16          limitation of the increase under this paragraph  
17          for all State ceiling for any calendar year. Such  
18          limitation is—

19                 “(i) \$5,000,000 for calendar year  
20                 2008,

21                 “(ii) \$5,000,000 for calendar year  
22                 2009, and

23                 “(iii) zero for any calendar year after  
24                 2009.

1           “(C) ALLOCATION BY SECRETARY.—Not  
 2 later than 45 days after the date of the enact-  
 3 ment of this paragraph, the Secretary shall pre-  
 4 scribe regulations for allocating the amount de-  
 5 scribed in subparagraph (B) to States. In deter-  
 6 mining the allocation of such amounts, the Sec-  
 7 retary shall take into consideration, among  
 8 other things, the severity of the foreclosure  
 9 rates in the States on the date of the enactment  
 10 of this paragraph.

11           “(D) SET ASIDE.—Not less than an  
 12 amount equal to each State’s allocable share of  
 13 the increase in the State ceiling under subpara-  
 14 graph (A) shall be used solely for the purpose  
 15 of issuing bonds the proceeds of which are used  
 16 to refinance existing mortgages.”.

17           (2) CARRYFORWARD OF UNUSED LIMITA-  
 18 TIONS.—Subsection (f) of section 146 of such Code  
 19 is amended by adding at the end the following new  
 20 paragraph:

21           “(6) SPECIAL RULES FOR INCREASED VOLUME  
 22 CAP UNDER SUBSECTION (d)(5).—

23           “(A) IN GENERAL.—No amount which is  
 24 attributable to the increase under subsection

1 (d)(5) may be used for a carryforward purpose  
2 other than issuing qualified mortgage bonds.

3 “(B) CARRYFORWARD PERIOD.—In apply-  
4 ing paragraph (3) to any carryforward which is  
5 attributable to the increase under subsection  
6 (d)(5), ‘the next calendar year’ shall be sub-  
7 stituted for ‘the 3 calendar years’ in subpara-  
8 graph (A) thereof.”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to bonds issued after December  
11 31, 2007.

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