

110TH CONGRESS
2D SESSION

H. R. 5818

AN ACT

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

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 AND TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Neighborhood Stabilization Act of 2008”.

4 (b) TABLE OF CONTENTS.—The table of contents for
5 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Congressional purposes.
- Sec. 3. Loans and grants to States, metropolitan cities, and urban counties.
- Sec. 4. Qualified plans.
- Sec. 5. Allocation of amounts.
- Sec. 6. Loans.
- Sec. 7. Grants.
- Sec. 8. Eligible housing stimulus activities.
- Sec. 9. Shared appreciation agreement.
- Sec. 10. Spending requirements.
- Sec. 11. Servicer contact.
- Sec. 12. Accountability.
- Sec. 13. Definitions.
- Sec. 14. Funding.
- Sec. 15. Protection of right to bear arms.
- Sec. 16. Ineligibility of illegal aliens for assistance.
- Sec. 17. Regulations and implementation.

6 **SEC. 2. CONGRESSIONAL PURPOSES.**

7 The purposes of this Act are—

8 (1) to establish a loan and grant program ad-
9 ministered by the Department of Housing and
10 Urban Development to help States, metropolitan cit-
11 ies, and urban counties preserve the equity and en-
12 sure the safety of the neighbors of homes made va-
13 cant by the predatory lending and foreclosure crises,
14 to prevent and reduce the incidence of such vacan-
15 cies through various means, including purchasing
16 and rehabilitating owner-vacated, foreclosed homes
17 with the goal of stabilizing and occupying them as

1 soon as possible, either through resale or rental to
2 qualified families;

3 (2) to distribute these loans and grants to areas
4 with the highest levels of foreclosure and delinquent
5 subprime mortgages, and largest increases in the
6 rate of vacant and abandoned single family homes;

7 (3) to provide incentives for States, metropoli-
8 tan cities, and urban counties to use the funds to
9 stabilize as many properties as possible; and

10 (4) to provide housing for low- and moderate-
11 income families, especially those that have lost
12 homes to foreclosure.

13 **SEC. 3. LOANS AND GRANTS TO STATES, METROPOLITAN**
14 **CITIES, AND URBAN COUNTIES.**

15 The Secretary of Housing and Urban Development
16 shall, subject to the availability of amounts under section
17 14, make grants under section 5(a) to qualified States and
18 under subsections (f) and (g) of section 5 to qualified met-
19 ropolitan cities and qualified urban counties, respectively,
20 and make loans under section 6 in accordance with the
21 approved plans of qualified States, qualified metropolitan
22 cities, and qualified urban counties, for use to carry out
23 eligible housing stimulus activities under section 8. The
24 program under this Act shall be administered through the
25 Office of Community Planning and Development of the

1 Department of Housing and Urban Development or any
2 successor office responsible for administering the commu-
3 nity development block grant program under title I of the
4 Housing and Community Development Act of 1974 (42
5 U.S.C. 5301 et seq.).

6 **SEC. 4. QUALIFIED PLANS.**

7 (a) IN GENERAL.—The Secretary may make a grant
8 under this Act only to a State, metropolitan city, or urban
9 county, and may allocate a loan authority amount under
10 this Act only for a State, metropolitan city, or urban coun-
11 ty, that has submitted to the Secretary a plan that meets
12 the requirements under this section and has been approved
13 under this section.

14 (b) CONTENTS.—A plan under this section for an al-
15 location recipient shall—

16 (1) designate a housing finance agency of the
17 allocation recipient, or other agency, department, or
18 entity of the allocation recipient, or any other des-
19 ignee, as the allocation recipient administrator to act
20 on behalf of the allocation recipient for purposes of
21 this Act;

22 (2) describe the housing stimulus activities
23 under section 8 to be carried out with assistance
24 under this Act for the allocation recipient by the en-

1 tity identified pursuant to paragraph (1) of this sub-
2 section;

3 (3) prioritize the allocation of funds to low- and
4 moderate-income neighborhoods with high concentra-
5 tions of vacancies, according to the number of cen-
6 sus tracts, as determined by the Secretary, to have
7 large increases in the rate of vacancy during the
8 past eight quarters and significant levels of loans de-
9 termined to be at risk of foreclosure, and describe
10 how such activities will help restore or improve the
11 viability of such neighborhoods by providing for pur-
12 chase or occupancy of qualified foreclosed properties
13 as soon as practicable and in a manner that will fa-
14 cilitate repayment of the loans provided under this
15 Act for carrying out such activities;

16 (4) set forth the procedures that the allocation
17 recipient will use to allocate grant and loan amounts
18 and monitor for compliance with the requirements of
19 section 8;

20 (5) provide that grant and loan amounts pro-
21 vided under this Act for the allocation recipient will
22 be used only for eligible housing stimulus activities
23 under section 8 that are eligible under such section
24 for assistance with grant or loan amounts, as appli-
25 cable;

1 (6) contain such assurances as the Secretary
2 shall require that the housing stimulus activities to
3 be carried out with assistance under this Act shall
4 not result in a significant net loss in rental housing
5 in an area in which such activities are undertaken;

6 (7) give priority emphasis and consideration to
7 metropolitan areas, metropolitan cities, urban areas,
8 rural areas, low- and moderate-income areas, census
9 tracts and other areas having the greatest need, in-
10 cluding those—

11 (A) with the greatest percentage of home
12 foreclosures;

13 (B) with the highest percentage of homes
14 financed by subprime mortgage loans over 90
15 days delinquent; or

16 (C) identified by the State, qualified met-
17 ropolitan city, or unit of general local govern-
18 ment as likely to face a significant rise in the
19 rate of home foreclosures;

20 (8) notwithstanding any other preferences es-
21 tablished or authorized under this subsection, pro-
22 vide first priority, in use of amounts from grants or
23 loans under this Act for rehabilitating housing, for
24 providing housing for veterans, members of the
25 Armed Forces on active duty, members of the Na-

1 tional Guard or Armed Forces reserves, school
2 teachers, and emergency responders;

3 (9) provide preference for activities that serve
4 the lowest income families, who otherwise meet the
5 income requirements under section 8, for the longest
6 period and homeowners, who otherwise meet such in-
7 come requirements, whose mortgages have been fore-
8 closed;

9 (10) provide preference for use of grant and
10 loan amounts in connection with acquisition of quali-
11 fied foreclosed properties that are acquired no ear-
12 lier than 60 days after the owner of the property de-
13 scribed in section 13(7)(B) acquired such ownership;

14 (11) describe any other preferences the alloca-
15 tion recipient may establish, such as housing for
16 first responders, for veterans, for nurses serving un-
17 derserved areas or homeless persons, or for homeless
18 persons in accordance with the 10-year plan of the
19 State to end homelessness, or providing housing for
20 public school teachers or workforce who are em-
21 ployed by the city or locality in which the housing
22 is located;

23 (12) provide for obligation and outlay of grant
24 amounts, and for loan commitments and disburse-

1 ment, in accordance with the requirements under
2 section 10; and

3 (13) in the case of any grant or loan amounts
4 that will be invested with the possibility of a return
5 on investment, provide for use of any return on such
6 investment only for one or more eligible housing
7 stimulus activities under section 8.

8 (c) SUBMISSION.—

9 (1) IN GENERAL.—The Secretary shall provide
10 for allocation recipients to submit plans under this
11 section to the Secretary and shall establish require-
12 ments for the contents and form of such plans. Ex-
13 cept in the case of plan resubmitted pursuant to
14 subsection (d)(3), the Secretary may not accept or
15 consider a plan unless the plan is submitted to the
16 Secretary before the expiration of the 30-day period
17 beginning upon the date of the enactment of this
18 Act.

19 (2) PUBLIC APPROVAL.—An allocation recipient
20 may not submit a plan to the Secretary unless the
21 plan is approved by the chief executive officer of the
22 allocation recipient after a public hearing on the
23 plan held pursuant to reasonable public notice.

24 (d) REVIEW AND APPROVAL.—

1 (1) TIMING.—The Secretary shall review, and
2 approve or disapprove, each plan submitted or resub-
3 mitted pursuant to paragraph (3) in compliance with
4 the requirements established under this section be-
5 fore the expiration of the 30-day period beginning
6 upon the submission of the plan. If the Secretary
7 does not approve or disapprove a plan that is sub-
8 mitted or resubmitted in accordance with the re-
9 quirements under this section before the expiration
10 of such 30-day period and notify the allocation re-
11 cipient of such approval or disapproval, the plan
12 shall be considered approved for purposes of this
13 section.

14 (2) STANDARD FOR DISAPPROVAL.—The Sec-
15 retary may disapprove a plan only if the plan fails
16 to comply with the requirements of this Act.

17 (3) RESUBMISSION.—If the Secretary dis-
18 approves the plan of an allocation recipient, the Sec-
19 retary shall submit to the allocation recipient the
20 reasons for the disapproval, and the allocation re-
21 cipient may, during the 15-day period that begins
22 upon notification of such disapproval and the rea-
23 sons for such disapproval, submit to the Secretary a
24 revised plan for review and approval in accordance
25 with this subsection.

1 **SEC. 5. ALLOCATION OF AMOUNTS.**

2 (a) GRANTS.—From the total amount made available
3 under section 14(a) for grants under this Act, the Sec-
4 retary shall make a grant to each qualified State in the
5 grant amount determined under subsection (c) of this sec-
6 tion for the qualified State.

7 (b) LOANS.—From the aggregate amount of author-
8 ity for the outstanding principal balance of loans made
9 under this Act pursuant to section 14(b)(1), the Secretary
10 shall allocate such authority for loans under this Act for
11 each qualified State in the loan authority amount deter-
12 mined under subsection (c) of this section for the qualified
13 State.

14 (c) GRANT AMOUNTS AND LOAN AUTHORITY
15 AMOUNTS.—

16 (1) IN GENERAL.—The grant amount or loan
17 authority amount for a qualified State shall be the
18 foreclosure grant share or foreclosure loan share, re-
19 spectively, for the State determined under subsection
20 (d), as such share is adjusted in accordance with an
21 index established or selected by the Secretary to ac-
22 count for differences between qualified States in the
23 median price of single family housing in such States.

24 (2) LIMITATION ON ADJUSTMENT.—If such ad-
25 justment would result in a grant amount or loan au-
26 thority amount for any State that exceeds 125 per-

1 cent of the foreclosure grant share or foreclosure
2 loan share, respectively, for the State, the grant
3 amount or loan authority amount for the State shall
4 be 125 percent of foreclosure grant share or fore-
5 closure loan share, respectively, for the State and
6 the Secretary shall increase the grant amounts or
7 loan authority amounts for all other States on a pro
8 rata basis, except as provided in paragraph (3), by
9 the amount necessary to account for the aggregate
10 of any such decreases in grant amounts or loan au-
11 thority amounts for States to comply with the 125
12 percent limitation.

13 (3) LIMITATION ON REALLOCATION.—No in-
14 crease in the grant amount or loan authority amount
15 for any State from amounts reallocated pursuant to
16 paragraph (2) shall result in the grant amount or
17 loan authority amount for any State exceeding 125
18 percent of the foreclosure grant share or foreclosure
19 loan share for the State, respectively.

20 (4) PRIORITY PREFERENCE FOR UNUSED
21 AMOUNTS.—States which have their grant or loan
22 amounts reduced under paragraph (2) shall be
23 granted a priority preference for any loans or grants
24 which may be reallocated under subsection (i) (relat-
25 ing to reallocation of funds).

1 (d) FORECLOSURE SHARES.—For purposes of this
2 section:

3 (1) GRANT SHARE.—The foreclosure grant
4 share for a qualified State shall be the amount that
5 bears the same ratio to the total amount made avail-
6 able under section 14(a) as the number of fore-
7 closures on mortgages for single family housing and
8 subprime mortgage loans for single family housing
9 that are over 90 days delinquent, occurring in such
10 State during the most recently completed four cal-
11 endar quarters for which such information is avail-
12 able, as determined by the Secretary, bears to the
13 aggregate number of such foreclosures and such de-
14 linquent subprime mortgage loans occurring in all
15 qualified States during such calendar quarters.

16 (2) LOAN SHARE.—The foreclosure loan share
17 for a qualified State shall be the amount that bears
18 the same ratio to the aggregate amount of the prin-
19 cipal balance of loans that may be outstanding at
20 any time under this Act pursuant to section 14(b)(1)
21 as the number of foreclosures on mortgages for sin-
22 gle family housing and subprime mortgage loans for
23 single family housing that are over 90 days delin-
24 quent, occurring in such State during the most re-
25 cently completed four calendar quarters for which

1 such information is available, as determined by the
2 Secretary, bears to the aggregate number of such
3 foreclosures and such delinquent subprime mortgage
4 loans occurring in all qualified States during such
5 calendar quarters.

6 (e) DISTRIBUTION OF FULL AMOUNT.—The Sec-
7 retary shall establish the index referred to in subsection
8 (c) and the grant and loan authority amounts for the
9 qualified States in a manner that provides that—

10 (1) the aggregate of the grant amounts for all
11 qualified States is equal to the total amount made
12 available under section 14(a); and

13 (2) the aggregate of the loan authority amounts
14 for all qualified States is equal to the aggregate
15 amount of authority for the outstanding principal
16 balance of all loans made under this Act pursuant
17 to section 14(b)(1).

18 (f) REQUIREMENT TO ALLOCATE TO QUALIFIED
19 METROPOLITAN CITIES.—Of any grant amounts and loan
20 authority amounts allocated pursuant to this section for
21 a State, the Secretary shall allocate for each qualified met-
22 ropolitan city located in such State a portion of such grant
23 amounts and such loan authority amounts that bears the
24 same ratio to such grant amounts and loan authority
25 amounts, respectively, allocated for the State as the num-

1 ber of foreclosures on mortgages for single family housing
2 and subprime mortgage loans for single family housing
3 that are over 90 days delinquent, occurring in such quali-
4 fied metropolitan city during the most recently completed
5 four calendar quarters for which such information is avail-
6 able, as determined by the Secretary, bears to the aggre-
7 gate number of such foreclosures and such delinquent
8 subprime mortgage loans occurring in the State during
9 such calendar quarters. The Secretary shall adjust such
10 allocation to account for differences between median single
11 family housing prices in the State and in qualified metro-
12 politan cities in the State.

13 (g) REQUIREMENT TO ALLOCATE TO QUALIFIED
14 URBAN COUNTIES.—Of any grant amounts and loan au-
15 thority amounts allocated pursuant to this section for a
16 State, such State shall allocate for each qualified urban
17 county located in such State a portion of such grant
18 amounts and such loan authority amounts that bears the
19 same ratio to such grant amounts and loan authority
20 amounts, respectively, allocated for the State as the num-
21 ber of foreclosures on mortgages for single family housing
22 and subprime mortgage loans for single family housing
23 that are over 90 days delinquent, occurring in such quali-
24 fied urban county during the most recently completed four
25 calendar quarters for which such information is available,

1 as determined by the Secretary, bears to the aggregate
2 number of such foreclosures and such delinquent subprime
3 mortgage loans occurring in the State during such cal-
4 endar quarters. The Secretary shall adjust such allocation
5 to account for differences between median single family
6 housing prices in the State and in qualified urban counties
7 in the State.

8 (h) ALLOCATION EXCEPTION.—If the aggregate
9 grant and loan authority amount to be allocated pursuant
10 to subsection (f) or (g) to a qualified metropolitan city
11 or qualified urban county is less than \$10,000,000, the
12 Secretary may, but is not required to, allocate such grant
13 and loan authority amount to such qualified metropolitan
14 city or qualified urban county, and the allocation for such
15 State shall be increased by the grant and loan authority
16 amount not allocated to such qualified metropolitan city
17 or qualified urban county.

18 (i) REALLOCATION OF UNUSED AMOUNTS.—The
19 Secretary shall recapture any grant amounts and loan au-
20 thority amounts allocated to a State that are not used in
21 a timely fashion in accordance with section 10, as the Sec-
22 retary shall prescribe, and shall reallocate such amounts
23 among all other qualified States in accordance with the
24 provisions of this Act for allocation of grant amounts and
25 loan authority amounts.

1 **SEC. 6. LOANS.**

2 (a) **REQUIREMENT OF LOAN AUTHORITY AMOUNT.—**

3 The Secretary may make a loan under this Act for use
4 in the area of an allocation recipient only to the extent
5 and in such amounts that loan authority amounts for such
6 allocation recipient are available.

7 (b) **REVOLVING AVAILABILITY OF LOAN AUTHORITY**
8 **AMOUNT.—**The loan authority amount allocated for each
9 allocation recipient shall—

10 (1) upon the Secretary entering into a binding
11 commitment to make a loan under this Act for use
12 in the area of such allocation recipient, be decreased
13 by the amount of the principal obligation of such
14 loan; and

15 (2) upon the repayment to the Secretary by any
16 borrower of any principal amounts borrowed under
17 a loan this Act for use in the area of such allocation
18 recipient, be increased by the amount of principal re-
19 paid.

20 (c) **ASSISTED ENTITIES.—**The loan authority amount
21 of an allocation recipient may be used for activities de-
22 scribed in section 8(a) undertaken by—

23 (1) the allocation recipient;

24 (2) a unit of local government or a local govern-
25 mental entity; or

1 (3) any other entity, as provided in the ap-
2 proved plan of the allocation recipient under section
3 4.

4 (d) LOAN TERMS.—Each loan provided under this
5 Act from the loan authority amount of an allocation recipi-
6 ent shall—

7 (1) bear no interest;

8 (2) have a term to maturity of—

9 (A) 3 years, in the case of any loan made
10 to purchase or finance the purchase of qualified
11 foreclosed housing for use under section 8(a)(1)
12 for homeownership; and

13 (B) 5 years, in the case of any loan made
14 to purchase or finance the purchase of qualified
15 foreclosed housing for use under section 8(a)(2)
16 for rental;

17 (3) not provide for amortization of the principal
18 obligation of the loan during such term;

19 (4) be non-recourse;

20 (5) require payment of the original principal ob-
21 ligation under the loan only upon the expiration of
22 the term of the loan; and

23 (6) have such other terms and conditions as the
24 Secretary may provide.

1 (e) PROCEDURE.—A qualified State, a qualified met-
2 ropolitan city, and a qualified urban county shall—

3 (1) enter into a loan agreement on behalf of the
4 Secretary on terms established under this Act and
5 any other terms such State, qualified metropolitan
6 city, or qualified urban county determines appro-
7 priate;

8 (2) disburse the loan amount in accordance
9 with such terms, subject only to the absence of suffi-
10 cient loan authority amount for such State, such
11 qualified metropolitan city, or such qualified urban
12 county;

13 (3) monitor such loans; and

14 (4) collect and transmit to the Secretary any
15 loan repayments.

16 (f) ELIGIBILITY FOR REPEAT LENDING.—A loan
17 under this Act may be made to an entity that has pre-
18 viously borrowed amounts under a loan under this Act
19 only if such entity has repaid 90 percent or more of the
20 amounts due under all previous such loans. The Secretary
21 may waive such requirement upon a request by an alloca-
22 tion recipient if the borrower has demonstrated satisfac-
23 tory progress in utilizing outstanding loans and sufficient
24 capacity to utilize additional loan amounts effectively.

1 (g) SUNSET.—The Secretary may not enter into any
2 commitment to make a loan under this Act, or make any
3 such loan, after the expiration of the 48-month period be-
4 ginning on the date of the enactment of this Act.

5 **SEC. 7. GRANTS.**

6 The grant amount of an allocation recipient may be
7 used under section 8(b) by the allocation recipient, a unit
8 of local government or a local governmental entity, or a
9 nonprofit organization.

10 **SEC. 8. ELIGIBLE HOUSING STIMULUS ACTIVITIES.**

11 (a) LOAN AMOUNTS.—Amounts provided under a
12 loan under this Act for an allocation recipient shall be
13 used, in accordance with the approved plan of such alloca-
14 tion recipient, only for the following activities:

15 (1) HOMEOWNERSHIP HOUSING PROVISION.—

16 To purchase or finance the purchase of qualified
17 foreclosed housing for resale as housing for home-
18 ownership to families having incomes that do not ex-
19 ceed 140 percent of the median income for the area
20 in which the housing is located.

21 (2) RENTAL HOUSING PROVISION.—To pur-

22 chase or finance the purchase of qualified foreclosed
23 housing for use as rental, lease-purchase, or rent-to-
24 own housing, subject to the following requirements:

1 (A) QUALIFIED TENANTS.—All dwelling
2 units in the housing purchased or financed
3 using any loan amounts shall be available for
4 rental only by families whose incomes do not
5 exceed 100 percent of the median income for
6 the area in which the housing is located.

7 (B) RENTS.—Rents for each dwelling unit
8 in the housing purchased or financed using any
9 loan amounts shall be established at amounts
10 that do not exceed market rents for comparable
11 dwelling units located in the area in which the
12 housing is located and in accordance with such
13 requirements as the Secretary shall establish to
14 ensure that rents are established in a fair, ob-
15 jective, and arms-length manner.

16 (3) HOUSING REHABILITATION.—To rehabili-
17 tate qualified foreclosed housing acquired with as-
18 sistance provided pursuant to this subsection, to the
19 extent necessary to comply with applicable laws,
20 codes, and other requirements relating to housing
21 safety, quality, and habitability, or to make improve-
22 ments to the housing to increase the energy effi-
23 ciency or conservation of the housing or provide a
24 renewable energy source or sources for the housing,
25 for the purpose of reselling the housing, to the ex-

1 tent possible, during the 3-month period that begins
2 upon completion of rehabilitation and at a price that
3 is as close as possible to the acquisition price of the
4 housing.

5 (b) GRANT AMOUNTS.—Grant amounts provided
6 under this Act to an allocation recipient shall be used, in
7 accordance with the approved plan of such allocation re-
8 cipient, only for the following activities:

9 (1) OPERATING AND HOLDING COSTS.—For
10 costs of holding and operating qualified foreclosed
11 housing acquired pursuant to subsection (a), includ-
12 ing expenses incurred operating housing assisted
13 under this Act with respect to the administration,
14 maintenance, repair, security, utilities, fuel, fur-
15 nishings, equipment, management, taxes, handling,
16 insurance, and other related costs.

17 (2) COSTS RELATING TO PROPERTY ACQUISSI-
18 TION.—For incidental costs involved in acquiring
19 qualified foreclosed housing pursuant to subsection
20 (a), including reasonable closing costs, except that
21 grant amounts may not be used to pay any portion
22 of the purchase price for the housing under section
23 13(7)(C).

24 (3) ADMINISTRATIVE COSTS.—For costs of the
25 allocation recipient in administering loan authority

1 amounts and grant amounts under this Act, except
2 that the amount of grant amounts provided under
3 this Act to an allocation recipient that may be used
4 under this paragraph shall not exceed the amount
5 equal to 8 percent of the sum of the grant amounts
6 provided to the allocation recipient pursuant to sub-
7 section (a), (f), or (g) of section 5, as applicable, and
8 the loan authority amount allocated to the allocation
9 recipient pursuant to subsection (b), (f), or (g) of
10 section 5, as applicable.

11 (4) PLANNING COSTS.—For planning costs of
12 the State in connection with this Act, except that
13 the amount of grant amounts provided under this
14 Act to an allocation recipient that may be used
15 under this paragraph shall not exceed the amount
16 equal to 2 percent of the sum of the grant amounts
17 provided to the allocation recipient pursuant to sub-
18 section (a), (f), or (g) of section 5, as applicable, and
19 the loan authority amount allocated to the State
20 pursuant to subsection (b), (f), or (g) of section 5,
21 as applicable.

22 (5) HOUSING REHABILITATION.—For activities
23 set forth in subsection (a)(3), except that an alloca-
24 tion recipient shall not use more than 20 percent of
25 a grant amount allocation for such activities.

1 (6) DEMOLITION.—For costs of demolishing
2 qualified foreclosed housing that is deteriorated or
3 unsafe, but amounts may be used under this para-
4 graph only if the Secretary determines that the
5 neighborhood or other area in which the housing is
6 located has a high incidence of vacant and aban-
7 doned housing (or other vacant and abandoned
8 structures) and is experiencing a significant decline
9 in population.

10 Notwithstanding any other provision of this subsection,
11 grant amounts provided under this Act may not be used
12 to provide assistance of any kind (including grants, loans,
13 and closing cost financing) to provide amounts for
14 downpayments for any homebuyers of single family hous-
15 ing.

16 (c) PROHIBITED USES.—The Secretary shall, by reg-
17 ulation, set forth prohibited uses of grant or loan amounts
18 under this Act, which shall include use for—

- 19 (1) political activities;
- 20 (2) advocacy;
- 21 (3) lobbying, whether directly or through other
22 parties;
- 23 (4) counseling services;
- 24 (5) travel expenses; and

1 (6) preparing or providing advice on tax re-
2 turns.

3 (d) INCOME TARGETING REQUIREMENT.—

4 (1) VERY LOW-INCOME FAMILIES.—Not less
5 than 50 percent of the total grant amounts an allo-
6 cation recipient makes available under this Act shall
7 be used for activities under subsection (b) in connec-
8 tion with providing housing for families whose in-
9 comes do not exceed 50 percent of the median in-
10 come for the area in which the housing is located.

11 (2) EXTREMELY LOW-INCOME FAMILIES.—Not
12 less than 50 percent of the total grant amounts an
13 allocation recipient makes available under paragraph
14 (1) shall be used for activities under subsection (b)
15 in connection with providing housing for families
16 whose incomes do not exceed 30 percent of the me-
17 dian income for the area in which the housing is lo-
18 cated.

19 (3) WAIVER.—

20 (A) IN GENERAL.—The Secretary may es-
21 tablish a percentage for purposes of paragraph
22 (2) that is less than 50 percent if an allocation
23 recipient certifies that, in addition to any other
24 requirements the Secretary may establish—

1 (i) such allocation recipient has at-
2 tempted to use all other federally related
3 resources available to it in combination
4 with the resources available under this Act
5 to meet the requirements of paragraph (2);
6 and

7 (ii) the failure to comply with para-
8 graph (2) will not result in an overall loss
9 of housing affordable to families whose in-
10 comes do not exceed 30 percent of area
11 median income in the area of such alloca-
12 tion recipient.

13 (B) CONSIDERATION OF HOUSING
14 NEEDS.—In establishing an alternative percent-
15 age for purposes of paragraph (2) for an alloca-
16 tion recipient that meets the certification re-
17 quirements of subparagraph (A), the Secretary
18 shall take into consideration the housing needs
19 in the area of such allocation recipient of fami-
20 lies whose incomes do not exceed 30 percent of
21 area median income.

22 (e) USE FOR RURAL AREAS.—An allocation recipient
23 receiving any grant or loan amounts under this Act that
24 includes any rural areas shall use a portion of its grant
25 and loan authority amount for eligible activities located

1 in rural areas that is proportionate to the identified need
2 for such activities in such rural areas.

3 (f) SECURITY.—A qualified State, or at its election,
4 a qualified metropolitan city or qualified urban county,
5 shall record a lien in the name of the Secretary on any
6 qualified foreclosed housing purchased or financed with a
7 loan under this section in the amount of the principal obli-
8 gation under the loan and interest due under the loan.

9 (g) QUALIFIED HOMEOWNERS.—This Act may not be
10 construed to prevent the resale of qualified foreclosed
11 housing to a prior owner or occupant of such housing who
12 meets the income requirements of this Act.

13 (h) VOUCHER NONDISCRIMINATION.—

14 (1) PROSPECTIVE TENANTS.—A recipient of
15 amounts from a loan or grant under this Act may
16 not refuse to lease a dwelling unit in housing as-
17 sisted with any such loan or grant amounts to a
18 holder of a voucher or certificate of eligibility under
19 section 8 of the United States Housing Act of 1937
20 (42 U.S.C. 1437f) because of the status of the pro-
21 spective tenant as such a holder.

22 (2) CURRENT TENANTS.—In the case of any
23 qualified foreclosed housing for which funds made
24 available under the Act are used and in which a re-
25 cipient of assistance under section 8(o) of the U.S.

1 Housing Act of 1937 resides at the time of acquisi-
2 tion or financing, the owner and any successor in in-
3 terest shall be subject to the lease and to the hous-
4 ing assistance payments contract for the occupied
5 unit. Vacating the property prior to sale shall not
6 constitute good cause for termination of the tenancy
7 unless the property is unmarketable while occupied
8 or unless the owner or subsequent purchaser desires
9 the unit for personal or family use. This paragraph
10 shall not preempt any State or local law that pro-
11 vides more protection for tenants.

12 (i) EFFECT OF FORECLOSURE ON PREEXISTING
13 LEASE.—

14 (1) IN GENERAL.—In the case of any fore-
15 closure on any dwelling or residential real property
16 acquired with any amounts made available under
17 this Act, any successor in interest in such property
18 pursuant to the foreclosure shall assume such inter-
19 est subject to—

20 (A) the provision, by the successor in inter-
21 est, of a notice to vacate to any bona fide ten-
22 ant at least 90 days before the effective date of
23 the notice to vacate; and

24 (B) the rights of any bona fide tenant, as
25 of the date of such notice of foreclosure—

1 (i) under any bona fide lease entered
2 into before the notice of foreclosure to oc-
3 cupy the premises until the end of the re-
4 maining term of the lease or the end of the
5 6-month period beginning on the date of
6 the notice of foreclosure, whichever occurs
7 first, subject to the receipt by the tenant
8 of the 90-day notice under subparagraph
9 (A); or

10 (ii) without a lease or with a lease ter-
11 minable at will under State law, subject to
12 the receipt by the tenant of the 90-day no-
13 tice under subparagraph (A), except that
14 nothing under this subparagraph shall af-
15 fect the requirements for termination of
16 any federally subsidized tenancy.

17 (2) BONA FIDE LEASE OR TENANCY.—For pur-
18 poses of this subsection, a lease or tenancy shall be
19 considered bona fide only if—

20 (A) the mortgagor under the contract is
21 not the tenant;

22 (B) the lease or tenancy was the result of
23 an arms-length transaction; or

1 (C) the lease or tenancy requires the re-
2 ceipt of rent that is not substantially less than
3 fair market rent for the property.

4 (j) PROHIBITION OF DEMOLITION OF PUBLIC HOUS-
5 ING.—Notwithstanding any other provision of this Act,
6 amounts from a grant or loan under this Act may not be
7 used to demolish any public housing (as such term is de-
8 fined in section 3 of the United States Housing Act of
9 1937 (42 U.S.C. 1437a)).

10 **SEC. 9. SHARED APPRECIATION AGREEMENT.**

11 Notwithstanding any other provision of this Act, no
12 amounts from a loan or grant under this Act may be used
13 under section 8 for any qualified foreclosed housing unless
14 such binding agreements are entered into, in accordance
15 with such requirements as the Secretary shall establish,
16 that ensure that the Federal Government shall, upon any
17 sale or disposition of the qualified foreclosed housing by
18 the owner who acquires the housing pursuant to assistance
19 under this Act, receive an amount equal to 20 percent of
20 the difference between the net proceeds from such sale or
21 disposition and the cost of such acquisition of the housing
22 pursuant to assistance under this Act, after deductions for
23 expenditures paid or incurred after the date of such acqui-
24 sition that are properly chargeable to capital account
25 (within the meaning of section 1016 of the Internal Rev-

1 enue Code of 1986) with respect to such housing. In the
2 case of a for-profit owner, this section shall be applied by
3 substituting “50 percent” for “20 percent”.

4 **SEC. 10. SPENDING REQUIREMENTS.**

5 (a) IN GENERAL.—Each allocation recipient that re-
6 ceives a grant under this Act or is allocated loan authority
7 amounts under this Act pursuant to section 5(b) shall—

8 (1) commence obligation of such grant amounts
9 and commitment of such loan authority amounts not
10 later than the expiration of the 120-day period that
11 begins upon approval of the approved plan of alloca-
12 tion recipient;

13 (2) obligate all such grant amounts and enter
14 into commitments for all such loan authority
15 amounts not later than the expiration of the 180-day
16 period beginning upon such approval; and

17 (3) except as provided in subsection (b) of this
18 section, outlay all such grant amounts and disburse
19 all such loan authority amounts not later than the
20 24-month period that begins upon such approval.

21 This subsection shall not apply to loan authority amounts
22 of an allocation recipient attributable, pursuant to section
23 6(b)(2), to repayment of principal amounts of loans under
24 this Act.

1 (b) EXCEPTION TO SPENDING REQUIREMENT.—If an
2 allocation recipient in good faith makes a request, in the
3 plan submitted to the Secretary pursuant to section 4 or
4 otherwise after approval of such plan, for extension of the
5 period referred to in paragraph (1), (2), or (3) of sub-
6 section (a) of this section, the Secretary may extend the
7 period for not more than 5 months.

8 **SEC. 11. SERVICER CONTACT.**

9 The servicer of a federally related mortgage loan (as
10 such term is defined in section 3 of the Real Estate Settle-
11 ment Procedures Act of 1974 (12 U.S.C. 2602)) shall no-
12 tify the unit of general local government in which the
13 property securing the mortgage is located upon becoming
14 responsible for a qualified foreclosed property and provide
15 such unit of general local government with the name and
16 24-hour contact information of a representative authorized
17 to negotiate purchases.

18 **SEC. 12. ACCOUNTABILITY.**

19 (a) REPORTING.—Each allocation recipient that re-
20 ceives a grant or allocation of loan authority amount
21 under this Act shall submit a report to the Secretary, not
22 later than the expiration of the 12-month period beginning
23 upon the approval of the qualified plan by the Secretary,
24 regarding use of such amounts which shall contain such
25 information, including information about the location and

1 type of assisted properties and the income of families pur-
2 chasing or renting housing assisted under this Act, as the
3 Secretary shall require.

4 (b) MISUSE OF AMOUNTS.—If the Secretary deter-
5 mines that any amounts from a grant or loan under this
6 Act for an allocation recipient or other recipient of grant
7 or loans funds has been used in a manner that is in viola-
8 tion of this Act, any regulations issued under this Act,
9 or any requirements or conditions under which such
10 amounts were provided, the Secretary shall require the al-
11 location recipient or other recipient of grant or loans funds
12 to reimburse the Treasury of the United States in the
13 amount of any such misused funds.

14 (c) HOLD HARMLESS.—Notwithstanding subsection
15 (b), a State shall not be required to reimburse the Treas-
16 ury of the United States for any misused funds such State
17 is required to allocate to a qualified metropolitan city or
18 qualified urban county under subsection (f) or (g) of sec-
19 tion 5, respectively.

20 **SEC. 13. DEFINITIONS.**

21 For purposes of this Act, the following definitions
22 shall apply:

23 (1) ALLOCATION RECIPIENT.—The term “allo-
24 cation recipient” means—

25 (A) a qualified State;

1 (B) a qualified metropolitan city; and

2 (C) a qualified urban county.

3 (2) ALLOCATION RECIPIENT ADMINISTRATOR.—

4 The term “allocation recipient administrator” means
5 the entity that is designated, pursuant to section
6 4(b)(1), in the approved plan of the allocation recipi-
7 ent to act for the allocation recipient for purposes of
8 this Act.

9 (3) APPROVED PLAN.—The term “approved
10 plan” means a plan of an allocation recipient that
11 has been approved pursuant to section 4.

12 (4) COVERED MULTIFAMILY HOUSING.—The
13 term “covered multifamily housing” means a resi-
14 dential structure that consists of 64 or fewer dwell-
15 ing units.

16 (5) LOAN AUTHORITY AMOUNT.—The term
17 “loan authority amount” means, with respect to an
18 allocation recipient, the amount of loan authority
19 available pursuant to section 14(b)(1) that is allo-
20 cated for the allocation recipient pursuant to sub-
21 section (b), (f), or (g) of section 5, as applicable, as
22 such amount may be increased or decreased pursu-
23 ant to section 6(b).

24 (6) NONPROFIT ORGANIZATION.—The term
25 “nonprofit organization” has the meaning given

1 such term in section 104 of the Cranston-Gonzalez
2 National Affordable Housing Act (42 U.S.C.
3 12704).

4 (7) QUALIFIED FORECLOSED HOUSING.—The
5 term “qualified foreclosed housing” means housing
6 that—

7 (A)(i) is single family housing that is not
8 occupied by an owner, pursuant to foreclosure
9 or assignment of the mortgage on the housing
10 or forfeiture of the housing; or

11 (ii) is covered multifamily housing;

12 (B) is owned by a lender, mortgage com-
13 pany, investor, financial institution, or other
14 such entity, or any government entity, pursuant
15 to foreclosure or assignment of the mortgage on
16 the housing or forfeiture of the housing; and

17 (C) has a purchase price—

18 (i) in the case of single family hous-
19 ing, that does not exceed the lesser of—

20 (I) 110 percent of the average
21 purchase price for single family hous-
22 ing in the area in which the housing
23 is located, as determined by the Sec-
24 retary; or

1 (II) the current appraised value
2 of the property;
3 except that in the case of any such housing
4 that has an appraised value that is less
5 than 110 percent of the average purchase
6 price for single family housing in the area
7 in which the housing is located, an alloca-
8 tion recipient may appeal such appraisal to
9 the Secretary and the Secretary may deter-
10 mine that the average purchase price shall
11 operate as the cap on the purchase price;
12 and

13 (ii) in the case of covered multifamily
14 housing, that does not exceed the dollar
15 amount limitation, for housing of the ap-
16 plicable size located in the area in which
17 the housing is located, on the amount of a
18 principal obligation of a mortgage eligible
19 for insurance under section 207 of the Na-
20 tional Housing Act (12 U.S.C. 1713), as in
21 effect on the date of the enactment of this
22 Act pursuant to such section 207(c)(3)(A)
23 and section 206A of such Act (12 U.S.C.
24 1712a).

1 (8) QUALIFIED METROPOLITAN CITY.—The
2 term “qualified metropolitan city” means an incor-
3 porated place, for which there is an improved plan,
4 that—

5 (A) is among the 100 most populous incor-
6 porated places in the United States, as deter-
7 mined according to data from the most recent
8 decennial census that is published before the
9 date of the enactment of this Act; or

10 (B)(i) has a minimum population of
11 50,000, as determined according to data from
12 the most recent decennial census that is pub-
13 lished before the date of the enactment of this
14 Act; and

15 (ii) has a foreclosure rate that exceeds 125
16 percent of the foreclosure rate for the entire
17 State.

18 (9) QUALIFIED STATE.—The term “qualified
19 State” means a State for which there is an approved
20 plan.

21 (10) QUALIFIED URBAN COUNTY.—The term
22 “qualified urban county” means an urban county (as
23 such term is defined in section 102 of the Housing
24 and Community Development Act of 1974 (42
25 U.S.C. 5302)), for which there is an approved plan,

1 that is among the 50 most populous urban counties
2 in the United States, as determined—

3 (A) according to data from the most recent
4 decennial census; and

5 (B) excluding the population of any quali-
6 fied metropolitan city within such urban county,
7 unless such metropolitan city has agreed to
8 have its population included with the population
9 of the county for the purposes of this Act.

10 (11) SECRETARY.—The term “Secretary”
11 means the Secretary of Housing and Urban Develop-
12 ment.

13 (12) SINGLE FAMILY HOUSING.—The term
14 “single family housing” means a residential struc-
15 ture consisting of from one to four dwelling units.

16 (13) STATE.—The term “State” means any
17 State of the United States, the District of Columbia,
18 the Commonwealth of Puerto Rico, the Common-
19 wealth of the Northern Mariana Islands, Guam, the
20 Virgin Islands, American Samoa, and other territory
21 or possession of the United States.

22 **SEC. 14. FUNDING.**

23 (a) GRANTS.—There is authorized to be appropriated
24 to the Secretary of the Treasury \$7,500,000,000 for
25 grants under this Act.

1 (b) DIRECT LOANS.—

2 (1) LOAN COMMITMENT AUTHORITY LIMITA-
3 TION.—Subject only to the availability of sufficient
4 amounts for the costs (as such term is defined in
5 section 502 of the Federal Credit Reform Act of
6 1990 (2 U.S.C. 661a)) of such loans and the ab-
7 sence of qualified requests for loans, the Secretary
8 shall enter into commitments to make loans under
9 this Act, and shall make such loans, in an amount
10 such that the aggregate outstanding principal bal-
11 ance of such loans does not at any time exceed
12 \$7,500,000,000.

13 (2) AUTHORIZATION OF APPROPRIATIONS FOR
14 COSTS.—There is authorized to be appropriated such
15 sums as may be necessary for costs (as such term
16 is defined in section 502 of the Federal Credit Re-
17 form Act of 1990 (2 U.S.C. 661a)) of loans under
18 this Act.

19 **SEC. 15. PROTECTION OF RIGHT TO BEAR ARMS.**

20 Nothing in this Act shall affect the right to bear arms
21 under the Second Amendment to the Constitution of the
22 United States.

1 **SEC. 16. INELIGIBILITY OF ILLEGAL ALIENS FOR ASSIST-**
2 **ANCE.**

3 Aliens who are not lawfully present in the United
4 States shall be ineligible for financial assistance under this
5 Act, as provided and defined by section 214 of the Hous-
6 ing and Community Development Act of 1980 (42 U.S.C.
7 1436a). Nothing in this Act shall be construed to alter
8 the restrictions or definitions in such section 214.

9 **SEC. 17. REGULATIONS AND IMPLEMENTATION.**

10 (a) **REGULATIONS.**—The Secretary shall issue any
11 regulations necessary to carry out this Act.

12 (b) **IMPLEMENTATION.**—Pending the effectiveness of
13 regulations issued pursuant to subsection (a), the Sec-
14 retary shall take such action as may be necessary to imple-
15 ment this Act by notice, guidance, and interim rules.

Passed the House of Representatives May 8, 2008.

Attest:

Clerk.

110TH CONGRESS
2^D SESSION

H. R. 5818

AN ACT

To authorize the Secretary of Housing and Urban
Development to make loans to States to acquire
foreclosed housing and to make grants to States
for related costs.