

117TH CONGRESS
2D SESSION

H. R. 7368

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 Student
3 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 at
17 least one outstanding student loan.

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

23 (6) Data from the Federal Reserve shows that
24 non-Hispanic White households have a median net
25 worth of \$181,440, while Black households have a
26 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.

5 (7) The COVID–19 pandemic has exacerbated
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.

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

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 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

1 the applicant's primary residence for not less than
2 the 3-year period beginning on the date of such pur-
3 chase; and

4 (8) shall be employed and earning sufficient in-
5 come to repay a mortgage loan, as determined by
6 the Secretary and the Director for the purposes of
7 this program.

8 (d) TYPES OF ASSISTANCE.—

9 (1) IN GENERAL.—A program established under
10 this section may provide for any one or more of the
11 following options:

12 (A) A discount on the appraised value of
13 an eligible property.

14 (B) Flexibility in underwriting standards
15 related to the purchase of eligible properties for
16 mortgages insured under title II of the National
17 Housing Act (12 U.S.C. 1707 et seq.) or owned
18 or guaranteed by the Federal National Mort-
19 gage Association or the Federal Home Loan
20 Mortgage Corporation.

21 (C) The development of new mortgage
22 products specifically targeted to eligible appli-
23 cants.

24 (D) Downpayment and private mortgage
25 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.

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.

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

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

22 (B) identifies other types of assistance the
23 Secretary and the Director may offer; and

1 (C) includes any recommendations the Sec-
2 retary and Director may have for improving the
3 program.

4 (g) DEFINITIONS.—In this section:

5 (1) DIRECTOR.—The term “Director” means
6 the Director of the Federal Housing Finance Agen-
7 cy.

8 (2) SECRETARY.—The term “Secretary” means
9 the Secretary of the Department of Housing and
10 Urban Development.

11 (3) ELIGIBLE PROPERTY.—The term “eligible
12 property” means a property that is designed as a
13 dwelling for occupancy by 1 to 4 families—

14 (A) that is safe and habitable, as defined
15 by the Secretary and the Director;

16 (B) the occupancy of which, as determined
17 by the Secretary and the Director, will promote
18 community revitalization; and

19 (C) that—

20 (i) was previously subject to a mort-
21 gage loan insured by the Federal Housing
22 Administration under title II of the Na-
23 tional Housing Act (12 U.S.C. 1707 et
24 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.

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