



MARCY KAPTUR

REPRESENTING OHIO'S 9TH DISTRICT



TRANSFORM STUDENT DEBT TO HOME EQUITY ACT OF 2017

SECTION-BY-SECTION

Section 1 Short Title

The bill is entitled: Transform Student Debt to Home Equity Act of 2017

Section 2 Findings

1. In the fourth quarter of 2016, over 17,200,000 homes were vacant in the United States.
2. Extended home vacancies accelerate the decline of already troubled neighborhoods.
3. Meanwhile, the amount of Federal student debt owed as reached \$1,300,000,000
4. Today, 40,000,000 Americans have Federal student loan debt, up dramatically from 29,000,000 Americans 10 years ago.
5. Student loan debt is prohibiting millions of young families from buying their first home.
6. It is imperative that student debt be converted to home equity. Otherwise, many Americans will remain saddled with lifelong student debt repayments and housing purchases will remain sluggish.
7. It is in the interest of the Federal government to use its resources develop a program to covert student debt to home equity.
8. By arranging specialized financing, short-term student debt could transition into longer term home ownership.
9. The goal of such a program would be to connect creditworthy Federal student debt holders with housing properties for sale but held by the Federal Government.
10. Eventually, program participants can help restore neighborhoods, transform their debt to equity, and buy property values locally and on the Federal ledger simply by maintaining and investing in a home mortgage.

Section 3 Program to Expand Access to Mortgages to Eligible Creditworthy Homebuyers with Federal Student Loan Debt

- (A) Directs the Department of Housing and Urban Development and the Director of the Federal Housing Finance Agency to conduct a pilot program assisting eligible applicants in purchasing eligible properties.

(B) Describes eligible applicants as individuals with outstanding Federal student loan debt.

Applicants cannot be subject to litigation or wage garnishment related to their student loan at the time of application. They must be in repayment or grace period status. They cannot have owned a home in the last three years. They must be employed and earning income sufficient to repay their mortgage. They must complete a financial counseling program on responsible homeownership. They must be deemed credit worthy by the Secretary and Director, and agree to maintain the property purchased in the program as a primary residence for three years.

(C) Describes the types of assistance HUD and FHFA can provide as either one or more of the following:

- a. Any assistance that HUD and FHFA jointly deem appropriate.
- b. As a discount on the appraised value of the eligible property.
- c. Flexibility in underwriting standards on federally backed mortgages.
- d. The development of new mortgage products specifically designed for eligible applicants.
- e. In coordination with the Departments of the Treasury and Education, the development of a program that uses actuarial information to determine how the repayment of the student loan may be integrated into a mortgage repayment schedule to allow an eligible applicant to accumulate equity in the eligible property.

This section also allows HUD and FHFA to collaborate with community banks with assets less than \$10,000,000,000, credit unions, and fair housing organizations.

(D) Requires HUD and FHFA to consider the location of the eligible property to be purchased by the eligible applicant, including whether it is in a rural or urban area, in order to ensure geographic diversity.

(E) Requires HUD and FHFA to provide an interim report to Congress no later than 90 days after the enactment of the Act describing the types of assistance their agencies will provide. It also requires HUD and FHFA to provide a final report to Congress no later than 3 years after the enactment of the Act describing the impact of the total program and the other types of assistance that may be offered.

(F) Provides definitions for terms in the Act.

- a. Secretary is defined as the Secretary of Housing and Urban Development
- b. Director is defined as the Director of Federal Housing Finance Agency
- c. Eligible property is defined as a safe habitable residence for 1 – 4 families that the occupancy of which will promote community revitalization; and that is owned by HUD, Fannie Mae, or Freddie Mac.

(G) Authorizes appropriations for the sums necessary to carry out the Act for FYs 2018-20.