



## Summary of Foreclosure-Related Provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act H.R. 4173

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On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (H.R. 4173). The bill aims to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and other purposes.

Included in the bill, in Section 14, are several provisions aimed at assisting homeowners, renters, and neighborhoods negatively impacted by the foreclosure crisis:

### **Multifamily Mortgage Resolution Program:**

Requires HUD to develop a program to provide sustainable financing for multi-family properties in danger of foreclosure. Solutions for these at-risk properties may include:

- Create sustainable financing based on rental income or adequate operating reserves;
- Maintain the level of Federal, State, and city subsidies in effect;
- Provide funds for rehabilitation; or
- Facilitate the transfer of such properties to responsible new owners and ensure affordability.

### **Amend the Protecting Tenants in Foreclosure Act (PTFA):**

Extends the sunset date for PTFA from December 2012 to December 2014. Also clarifies that any lease or tenancy created prior to the change of title as a result of foreclosure is protected by PTFA.

### **Sense of Congress regarding the Importance of Government-Sponsored Enterprises Reform to Enhance the Protection, Limitation, and Regulation of the Terms of Residential Mortgage Credit:**

Though this bill does not deal with the future of the government-sponsored enterprises, Section 1491 includes the following statement: "It is the sense of the Congress that efforts to enhance by the protection, limitation, and regulation of the terms of residential mortgage credit and the practices related to such credit would be incomplete without enactment of meaningful structural reforms of Fannie Mae and Freddie Mac."

### **GAO Study Report on Government Efforts to Combat Mortgage Foreclosure Rescue Scams and Loan Modification Fraud:**

Requires the Comptroller General to conduct a study of the current inter-agency efforts to crackdown on mortgage foreclosure rescue scams and loan modification fraud in order to advise Congress on the risks and vulnerabilities of emerging schemes in the loan modification arena.

### **Reporting of Mortgage Data by State:**

Amends the Helping Families Save their Homes Act of 2009 such that the Comptroller of the Currency and the Director of the Office of Thrift Supervision shall report mortgage data by state.

### **Study of the Effects of Drywall Presence on Foreclosures:**

Requires HUD and the Treasury Department to conduct a study of the effects on residential mortgage loan foreclosures of the presence in of drywall that was imported from China from 2004–2007.

### **Emergency Mortgage Relief Fund - \$1 billion:**

Reauthorizes the Emergency Mortgage Relief Program from the Emergency Housing Act of 1975 with some statutory changes. The program will be run through HUD and will "provide a standby authority which will prevent widespread mortgage foreclosures and distress sales of homes resulting from the temporary loss of



employment and income through a program of emergency loans and advances and emergency mortgage relief payments to homeowner to defray mortgage expenses.” The program will provide assistance in the form of a loan and cannot exceed \$50,000. Eligible homeowners must meet the following criteria:

- Have received a notice of the intention to foreclosure from the mortgage holder;
- Have been delinquent for at least three months;
- Have incurred a substantial reduction in income as a result of involuntary unemployment or underemployment;
- Have a reasonable prospect of being able to fully resume mortgage payment (re-employment); and
- Are living in their principal residence.

**Neighborhood Stabilization Program 3 (NSP3) - \$1 billion:**

Provides additional assistance for the Neighborhood Stabilization Program (NSP). NSP provides emergency assistance to states and local governments to acquire and redevelop foreclosed, vacant, and abandoned properties that have become blights on the community and are driving down neighboring property values. The Dodd-Frank Bill provides HUD with \$1 billion to be used in accordance with the NSP2 provisions of the American Recovery and Reinvestment Act of 2009, with several changes, including:

- Funds will be available until expended;
- Distributes funds based by formula allocation based on need;
- Requires that each state shall receive at least 0.5% of total funds;
- Establishes a minimum grant size of \$1 million for cities and counties receiving funds; and
- Permits the Secretary to use up to 2% of funds for technical assistance to grantees.

**Additional Neighborhood Stabilization Amendments:**

Includes two important amendments to Section 2301 of the Housing and Economic Recovery Act of 2008 (the statute that initially established NSP):

- A legislative fix that permits redevelopment or rehabilitation of vacant properties to qualify for the 25% low-income set aside requirement (previously only abandoned or foreclosed homes counted toward the 25% low-income set aside). This change will be immediate and will apply to any unexpended or unobligated funds for NSP1 and NSP2.
- Definition of “Notice of Foreclosure” as the date on which complete title to a property is transferred to a successor entity or person as a result of an order of a court or pursuant to provision in a mortgage, deed of trust, or security deed.

**Legal Assistance for Foreclosure Related Issues - \$35 million:**

Requires that HUD establish a program for making grants for providing a full range of foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure. The program shall last through fiscal year 2012 and will be a competitive allocation to state and local organizations that provide legal assistance. HUD shall give priority to the 125 metropolitan areas with the highest foreclosure rates. Legal assistance may be provided to:

- Homeowners of owner-occupied homes with mortgages in default, in danger of default, or subject to or at risk of foreclosure; and
- Tenants at risk of or subject to eviction as a result of foreclosure of the property in which such tenant resides.