AMENDMENT TO H.R. 1106

OFFERED BY MR. FRANKS OF ARIZONA

Page 2, after line 6, insert the following (and make such technical and conforming changes as may be appropriate):

1 **SEC. 100. DEFINITIONS.**

2 Section 101 of title 11, the United States Code, is
3 amended—

4 (1) by redesignating paragraphs (40A) and
5 (40B) as paragraphs (40B) and (40C), respectively;

6 (2) by inserting after paragraph (40) the fol-
7 lowing:

8 "(40A) The term 'nontraditional mortgage'—

9 "(A) means a security interest in the prin-
10 cipal residence of a debtor that secures a debt
11 for a loan that at any period during the term
12 of such loan provides for the deferral of pay-
13 ment of principal or interest through permitting
14 periodic payments that—

15 "(i) do not cover the full amount of
16 interest due during such period; or

17 "(ii) cover only the interest due dur-
18 ing such period; and

1 "(B) does not include—

2 "(i) a home equity line of credit in a

3 subordinate position; or

4 "(ii) a reverse mortgage, as that term

5 is defined in section 103 of the Truth in

6 Lending Act (15 U.S.C. 1602).";

7 (3) by redesignating paragraphs (53B) through

8 (53D), as paragraphs (53C), (53D), and (53E), re-

9 spectively; and

10 (4) by inserting after paragraph (53A) the fol-

11 lowing:

12 "(53B)(A) The term 'subprime mortgage'

13 means a security interest in the principal residence

14 of a debtor that secures a debt for a loan that—

15 "(i) in the case of a loan secured by a first

16 mortgage or first deed of trust, had, at the time

17 of origination, an annual percentage rate that

18 was greater than the sum of 3.5 percent plus

19 the yield on United States Treasury securities

20 having comparable periods of maturity; and

21 "(ii) in the case of a loan secured by a

22 subordinate mortgage or subordinate deed of

23 trust, had, at the time of origination, an annual

24 percentage rate that was greater than the sum

25 of 5.5 percent plus the yield on United States

1 Treasury securities having comparable periods
2 of maturity.
3 "(B) For purposes of this paragraph—
4 "(i) the difference between the annual per-
5 centage rate of a loan and the yield on United
6 States Treasury securities having comparable
7 periods of maturity shall be determined using
8 the procedures and calculation methods under
9 part 203 of title 12, Code of Federal Regula-
10 tions (or any successor thereto) for loans that
11 are subject to the reporting requirements of the
12 Home Mortgage Disclosure Act of 1975 (12
13 U.S.C. 2801 et seq.), except that the yield on
14 United States Treasury securities shall be de-
15 termined as of the 15th day of the month pre-
16 ceding the month in which a completed applica-
17 tion is submitted for such loan;
18 "(ii) the annual percentage rate for a loan
19 with a fixed interest rate for an introductory
20 period that resets or adjusts to a variable inter-
21 est rate shall be the greater of—
22 "(I) the introductory rate; and
23 "(II) the fully indexed rate; and
24 "(iii) the term 'fully indexed rate' means
25 the prevailing index rate on a residential mort-

1 gage loan at the time the loan is made, plus the
2 margin that applies after the expiration of an
3 introductory interest rate.".

Page 5, line 7, insert "nontraditional mortgage (or subprime mortgage) that is a" after "by a".

Page 15, beginning on line 1, strike "before, on, or after" and insert "in the 3-year period beginning on"

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