

AMENDMENT TO H.R. 5830
OFFERED BY MR. PUTNAM OF FLORIDA

Page 18, after line 19, insert the following new paragraph:

1 “(12) BORROWER BANKRUPTCY AND FORE-
2 CLOSURE HISTORY.—

3 “(A) FORECLOSURE.—A borrower whose
4 previous principal residence or other real prop-
5 erty was foreclosed or has given a deed-in-lieu
6 of foreclosure within the previous three years
7 shall not be eligible as a mortgagor under a
8 mortgage insured under this section, except
9 that, if the Secretary determines that the fore-
10 closure was the result of documented extenu-
11 ating circumstances that were beyond the con-
12 trol of the borrower and the borrower has re-
13 established good credit since the foreclosure, the
14 mortgagee may grant an exception to the three-
15 year requirement. Extenuating circumstances
16 shall include serious illness or death of a wage
17 earner, but shall not include the inability to sell
18 the house because of a job transfer or relocation
19 to another area.

1 “(B) BANKRUPTCY.—

2 “(i) CHAPTER 7.—A bankruptcy (liq-
3 uidation) under chapter 7 of title 11,
4 United States Code, shall disqualify a bor-
5 rower from eligibility as a mortgagor under
6 a mortgage insured under this section un-
7 less—

8 “(I) at least two years have
9 elapsed since the date of the discharge
10 of the bankruptcy;

11 “(II) the borrower has re-estab-
12 lished good credit or chosen not to
13 incur new credit obligations;

14 “(III) the borrower has dem-
15 onstrated a documented ability to re-
16 sponsibly manage his or her financial
17 affairs.

18 In the case of an elapsed period since the
19 date of discharge of the bankruptcy of less
20 than two years, but not less than 12
21 months, the borrower shall be eligible only
22 if the borrower can show that the bank-
23 ruptcy was caused by extenuating cir-
24 cumstances beyond his or her control, the
25 borrower has since exhibited a documented

1 ability to manage his or her financial af-
2 fairs in a responsible manner, and the
3 lender documents that the borrower's cur-
4 rent situation indicates that the events
5 that led to the bankruptcy are not likely to
6 recur.

7 “(ii) CHAPTER 13.—A bankruptcy
8 under chapter 13 of title 11, United States
9 Code, shall disqualify a borrower from eli-
10 gibility as a mortgagor under a mortgage
11 insured under this section, unless—

12 “(I) the lender documents that
13 one year of the payout period under
14 the bankruptcy has elapsed and the
15 borrower's payment performance has
16 been satisfactory, with all required
17 payments made on time; and

18 “(II) the borrower receives per-
19 mission from the court to enter into
20 the mortgage transaction.”.

