A bill to be entitled
An act relating to the mortgage principal reduction
program; creating the “Mortgage Principal Reduction
Act”; defining terms; requiring that the Florida
Housing Finance Corporation apply to the United States
Department of the Treasury by a specified date to
request funds not to exceed a specified amount from
the federal Hardest-Hit Fund program to establish a
new state program to reduce the principal on mortgages
for persons whose homestead property in this state is
in foreclosure; requiring the corporation to use the
allocated funds to purchase delinquent mortgages on
such property from lenders at a discount to reduce the
mortgage principal amount due on the mortgage;
creating an application process and corporate
procedures; specifying that only members of The
Florida Bar and HUD-certified counselors working for a
non-profit entity may assist program applicants in
applying for or program participants in servicing a
loan created by the program; requiring that the
corporation submit monthly reports to the Office of
the Governor, the President of the Senate, and the
Speaker of the House of Representatives; providing an
effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Mortgage principal reduction program.—
(1) SHORT TITLE.—This act may be cited as the “Mortgage
Principal Reduction Act.”

(2) DEFINITIONS.—As used in this section, the term:

(a) “Corporation” means the Florida Housing Finance Corporation.

(b) “Department” means the United States Department of the Treasury.

(c) “Hardest-Hit Fund” means the program authorized under the federal Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343, to assist this and other states in foreclosure prevention efforts.

(d) “Program applicant” means a person who has applied for but has as yet not reached an agreement with the corporation to repay the current mortgage purchased by the corporation.

(e) “Program participant” means a person who has entered into a contract with the corporation to repay the mortgage with the mortgage principal reduced.

(3)(a) MORTGAGE REDUCTION PROGRAM.—No later than October 1, 2013, the corporation shall apply to the department requesting that it allocate to this state an additional $100 million from the Hardest-Hit Fund to establish a new state program that is designed to reduce the loan principal on mortgages for persons whose homestead property in this state is in foreclosure.

(b) The corporation shall use allocated funds to purchase from lenders, at a discount, delinquent mortgages that cover homestead property located in this state which are in foreclosure. The corporation shall reduce the mortgage principal on the purchased mortgages, coordinate with the mortgagor, and establish a reasonable repayment plan for the mortgagor.

(c) The corporation shall establish and determine
eligibility to participate in the mortgage principal reduction program. An applicant is eligible for participation if he or she:

1. Demonstrates financial hardship;
2. Owns homestead property that is the subject of an active foreclosure suit;
3. Owns a homestead property in this state which has a mortgage value that is equal to or exceeds 25 percent of the fair market value; and
4. Has the ability to repay the new, reduced loan.

(d) The corporation may:
1. Charge interest on a loan to a program applicant; however the interest rate may not exceed 2 percent per annum;
2. Contract with a private mortgage servicing company to service the loan; and
3. Transfer a loan to a private lending entity for fair market value upon the original terms and conditions of the loan, which are not subject to change by subsequent mortgage holders.

(e) Only members of The Florida Bar and HUD-certified counselors working for a nonprofit entity may assist a program applicant in applying for a principal reduction loan or a program participant in servicing a loan created by this program.

(f) The corporation may make changes to the mortgage principal reduction program as are required by the department.

(g) 1. The corporation shall submit a monthly report describing the status of the mortgage principal reduction loan process and program to the Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives. The first monthly report is due on December 31, 2013.
Section 2. This act shall take effect July 1, 2013.