

By Senator Soto

14-00235-13

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

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

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28 Section 1. Mortgage principal reduction program.—

29 (1) SHORT TITLE.—This act may be cited as the "Mortgage

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30 Principal Reduction Act."

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

32 (a) "Corporation" means the Florida Housing Finance
33 Corporation.

34 (b) "Department" means the United States Department of the
35 Treasury.

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

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

43 (e) "Program participant" means a person who has entered
44 into a contract with the corporation to repay the mortgage with
45 the mortgage principal reduced.

46 (3) (a) MORTGAGE REDUCTION PROGRAM.—No later than October 1,
47 2013, the corporation shall apply to the department requesting
48 that it allocate to this state an additional \$100 million from
49 the Hardest-Hit Fund to establish a new state program that is
50 designed to reduce the loan principal on mortgages for persons
51 whose homestead property in this state is in foreclosure.

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

58 (c) The corporation shall establish and determine

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59 eligibility to participate in the mortgage principal reduction
60 program. An applicant is eligible for participation if he or
61 she:

62 1. Demonstrates financial hardship;

63 2. Owns homestead property that is the subject of an active
64 foreclosure suit;

65 3. Owns a homestead property in this state which has a
66 mortgage value that is equal to or exceeds 25 percent of the
67 fair market value; and

68 4. Has the ability to repay the new, reduced loan.

69 (d) The corporation may:

70 1. Charge interest on a loan to a program applicant;
71 however the interest rate may not exceed 2 percent per annum;

72 2. Contract with a private mortgage servicing company to
73 service the loan; and

74 3. Transfer a loan to a private lending entity for fair
75 market value upon the original terms and conditions of the loan,
76 which are not subject to change by subsequent mortgage holders.

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

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

83 (g)1. The corporation shall submit a monthly report
84 describing the status of the mortgage principal reduction loan
85 process and program to the Office of the Governor, the President
86 of the Senate, and the Speaker of the House of Representatives.
87 The first monthly report is due on December 31, 2013.

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Section 2. This act shall take effect July 1, 2013.