

104TH CONGRESS
1ST SESSION

S. 1057

To amend section 1956 of title 18, United States Code, to include equity skimming as a predicate offense, to amend section 1516 of title 18, United States Code, to curtail delays in the performance of audits, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 21 (legislative day, JULY 10), 1995

Mr. COHEN (for himself, Mr. D'AMATO, Mr. BOND, Mr. FAIRCLOTH, and Mr. MACK) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend section 1956 of title 18, United States Code, to include equity skimming as a predicate offense, to amend section 1516 of title 18, United States Code, to curtail delays in the performance of audits, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. FINDINGS.**

4 The Congress finds that—

5 (1) the Federal Government makes available
6 mortgage insurance and other assistance to encour-

1 age investors and lending institutions to provide
2 housing to low-income individuals and families;

3 (2) in general, this current system functions
4 well;

5 (3) some unscrupulous owners of federally as-
6 sisted housing, however, have diverted Federal hous-
7 ing subsidies and other funds to personal and other
8 improper uses, while failing to make payments on
9 their insured mortgages or maintain the assisted
10 housing;

11 (4) this practice of diverting funds, known as
12 equity skimming, has cost the Nation's taxpayers an
13 estimated \$6,000,000,000; and

14 (5) current law is inadequate to deter or pre-
15 vent the practice of equity skimming.

16 **SEC. 2. INCLUSION OF EQUITY SKIMMING AS A LAUNDER-**
17 **ING OFFENSE.**

18 Section 1956(c)(7)(D) of title 18, United States
19 Code, is amended by inserting "section 254 of the Na-
20 tional Housing Act (relating to equity skimming)," before
21 "or any felony violation of the Foreign Corrupt Practices
22 Act".

23 **SEC. 3. OBSTRUCTION OF FEDERAL AUDIT.**

24 Section 1516(a) of title 18, United States Code, is
25 amended by inserting "or relating to any property that

1 is security for a mortgage that is insured, guaranteed, ac-
 2 quired, or held by the Secretary of Housing and Urban
 3 Development pursuant to any provision of law described
 4 in section 254(a) of the National Housing Act,” after
 5 “under a contract or subcontract,”.

6 **SEC. 4. EFFECT OF EQUITY SKIMMING ON MORTGAGE IN-**
 7 **SURANCE.**

8 Section 254 of the National Housing Act (12 U.S.C.
 9 1715z-19) is amended—

10 (1) by striking “Whoever” and inserting the fol-
 11 lowing:

12 “(a) IN GENERAL.—Whoever”; and

13 (2) by adding at the end the following new sub-
 14 section:

15 “(b) EFFECT OF VIOLATION.—Each contract for in-
 16 surance under any provision of law described in subsection
 17 (a) shall provide that if an owner, agent, manager, or
 18 other person who is otherwise in custody, control, or pos-
 19 session of any property described in subsection (a) is con-
 20 victed of a violation of that subsection, the Secretary may
 21 recover from such owner, agent, manager, or other person
 22 an amount equal to the sum of—

23 “(1) any benefit of insurance conferred on the
 24 mortgagee by the Secretary with respect to such
 25 property; and

1 “(2) any loss incurred by the Secretary in con-
2 nection with such property;
3 if the Secretary determines that the violation contributed
4 to such conferred benefit or incurred loss. Any recovery
5 under this subsection shall be in addition to any fine, im-
6 prisonment, or other penalty imposed under subsection
7 (a).”.

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