

111TH CONGRESS
1ST SESSION

H. R. 2589

To establish the Office of Public Finance in the Department of the Treasury to make available Federal reinsurance for insurers of tax-exempt municipal bonds.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2009

Mr. CLEAVER (for himself, Mr. HIMES, Mr. FRANK of Massachusetts, Mr. BACA, Mr. MORAN of Virginia, Mr. ANDREWS, and Mr. CONNOLLY of Virginia) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish the Office of Public Finance in the Department of the Treasury to make available Federal reinsurance for insurers of tax-exempt municipal bonds.

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. SHORT TITLE.**

4 This Act may be cited as the “Municipal Bond Insur-
5 ance Enhancement Act of 2009”.

1 **SEC. 2. OFFICE OF PUBLIC FINANCE AND FEDERAL REIN-**
2 **SURANCE FOR INSURERS OF TAX-EXEMPT**
3 **MUNICIPAL BONDS.**

4 (a) IN GENERAL.—Subchapter I of chapter 3 of title
5 31, United States Code, is amended by adding at the end
6 the following new section:

7 **“SEC. 314. THE OFFICE OF PUBLIC FINANCE.**

8 “(a) ESTABLISHMENT AND PERSONNEL.—

9 “(1) ESTABLISHMENT.—There is hereby estab-
10 lished in the Department of the Treasury an office
11 to be known as the ‘Office of Public Finance’ (in
12 this section referred to as the ‘Office’).

13 “(2) DIRECTOR; STAFFING.—The Secretary of
14 the Treasury shall appoint the Director of the Of-
15 fice, as well as such other staff as the Secretary be-
16 lieves necessary for the Office to carry out its duties
17 under this Act.

18 “(b) FEDERAL REINSURANCE FOR INSURERS OF
19 TAX-EXEMPT MUNICIPAL BONDS.—

20 “(1) ESTABLISHMENT.—The Director of the
21 Office of Public Finance shall carry out a program
22 under this subsection to provide reinsurance for in-
23 sured losses of qualified municipal bond insurers.

24 “(2) QUALIFIED MUNICIPAL BOND INSURERS.—
25 Reinsurance coverage under this subsection may be

1 made available only for an insurer, including an in-
2 surer that is an affiliate of another entity—

3 “(A) that is licensed or admitted to engage
4 in the business, in any State, of providing in-
5 surance for the payment of principal and inter-
6 est due under—

7 “(i) any municipal bond; or

8 “(ii) any bond, note, security, or other
9 debt obligation issued by a special purpose
10 corporation, trust, or other entity to fi-
11 nance a project serving a substantial public
12 purpose; and

13 “(B) that has, as of the date of purchase
14 of reinsurance coverage under this subsection—

15 “(i) a corporate or other governing
16 charter that prohibits the insurer from
17 providing coverage for risks other than the
18 risks specified in subparagraph (A) and
19 such bonds issued by public purpose
20 issuers or ultimate obligors as are not in-
21 consistent with the intent of Municipal
22 Bond Insurance Enhancement Act of 2009
23 and as may be approved generally or spe-
24 cifically by the Director of the Office of

1 Public Finance or the relevant insurance
2 regulator; or

3 “(ii) entered into an agreement with
4 the Director to only provide coverage for
5 the risks specified in clause (i).

6 A qualified municipal bond insurer shall not be
7 precluded from retaining or performing any ob-
8 ligations in place prior to entering into such an
9 agreement with the Office.

10 “(3) TERMS OF REINSURANCE.—Reinsurance
11 coverage under this subsection shall be subject to
12 the following requirements:

13 “(A) PREMIUMS.—The Director shall es-
14 tablish and collect risk-based premiums for
15 such coverage. Premium charges under this
16 subparagraph shall be established in amounts
17 that are sufficient, but do not exceed, the min-
18 imum amounts necessary to cover the costs (as
19 such term is defined in section 502 of the Fed-
20 eral Credit Reform Act of 1990 (2 U.S.C.
21 661(a)) of such reinsurance coverage and to
22 cover administrative costs of the Secretary that
23 are associated with the program for such cov-
24 erage.

1 “(B) OTHERS.—The Director shall estab-
2 lish such other terms for such coverage as the
3 Director determines are appropriate to provide
4 additional capacity in the market for insurance
5 of State and local bonds in the most cost-effi-
6 cient manner.

7 “(4) PROGRAM LIMIT.—The aggregate par
8 value of bonds, notes, security, and other debt obli-
9 gations for which reinsurance is provided under the
10 program under this subsection in any of fiscal years
11 2010 through 2014 may not exceed
12 \$50,000,000,000.

13 “(5) AUTHORIZATION OF APPROPRIATIONS.—
14 There is authorized to be appropriated such sums as
15 may be necessary for administrative costs of car-
16 rying out the program under this subsection during
17 the first 12 months of the operation of such pro-
18 gram.

19 “(6) DIVESTMENT.—Not later than the expira-
20 tion of the 5-year period beginning on the date of
21 the enactment of this Act, the Secretary of the
22 Treasury shall—

23 “(A) establish and submit to the Congress
24 a plan providing for the sale of the reinsurance
25 assets acquired under the program under this

1 subsection, except that any such sale shall not
2 reduce the credit rating of bonds insured under
3 such program or the relevant qualified munic-
4 ipal bond insurer through the submission of of-
5 fers to purchase such assets; and

6 “(B) implement such plan, including solici-
7 tating offers for the purchase of such operations.

8 “(7) DEFINITIONS.—For purposes of this sub-
9 section, the following definitions shall apply:

10 “(A) INSURED LOSS.—The term ‘insured
11 loss’ means any loss resulting from any munic-
12 ipal bond that is covered by insurance provided
13 by a qualified municipal bond insurer.

14 “(B) MUNICIPAL BOND.—The term ‘mu-
15 nicipal bond’ means any bond, note, security, or
16 other debt obligation issued by any State or po-
17 litical subdivision thereof, or by any other entity
18 eligible to issue bonds treated as a State or
19 local bond (as such term is defined in section
20 103(c) of the Internal Revenue Code of 1986
21 and the regulations issued thereunder)

22 “(C) QUALIFIED MUNICIPAL BOND IN-
23 SURER.—The term ‘qualified municipal bond in-
24 surer’ means an insurer that meets the require-

1 ments in paragraph (2) for reinsurance cov-
2 erage under this subsection.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
4 for subchapter I of chapter 3 of title 31, United States
5 Code, is amended by adding at the end the following:

“314. The Office of Public Finance.”.

6 **SEC. 3. REINSURANCE BY OFFICE OF PUBLIC FINANCE NOT**
7 **TREATED AS FEDERAL GUARANTEE UNDER**
8 **TAX EXEMPT BOND REQUIREMENTS.**

9 (a) IN GENERAL.—Subparagraph (A) of section
10 149(b)(3) of the Internal Revenue Code of 1986 is amend-
11 ed by striking “or” at the end of clause (ii), by striking
12 the period at the end of clause (iii) and inserting “, or”,
13 and by adding at the end the following new clause:

14 “(iv) any guarantee by the Office of
15 Public Finance.”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall take effect on the date of the enactment
18 of this Act.

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