

## Floor Statement by Ranking Member Spencer Bachus for H.R. 1852, "The Expanding American Homeownership Act of 2007"

September 18, 2007

Mr. Chairman, the Federal Housing Administration, created in 1934, is an important source of support for first time homebuyers and lower and middle-income borrowers. FHA provides mortgage insurance that protects lenders against losses when homeowners default on their mortgage obligations, allowing those lenders to offer their customers lower interest rates and closing costs. Since its inception, FHA has insured nearly 35 million loans and is the largest insurer of mortgages in the world.

FHA's share of the mortgage market has been steadily declining in recent years, however, falling from almost 20 percent ten years ago to about 5 percent today. This sharp drop in FHA's market share resulted largely from the growing popularity of subprime mortgages, as more borrowers opted for loans featuring zero downpayments and introductory "teaser" rates far lower than what was available through FHA. The difficulties being experienced by many subprime borrowers as those initially low interest rates reset at much higher levels offer FHA an opportunity to reestablish its standing in the marketplace as a safe, low-cost alternative for American homeowners.

But for that to happen, Congress will need to pass the reforms contained in this legislation. During the 109th Congress, the Republican House did exactly that, approving comprehensive FHA modernization legislation with over 400 votes on the House floor, only to have the bill die in the Senate. Earlier this year, Congresswoman Judy Biggert and I reintroduced legislation identical to that bill. However, rather than embrace last year's bipartisan approach, the Majority has chosen to go in a different direction, by including provisions to divert surpluses generated by the FHA program to a new affordable housing fund established in separate legislation passed by our Committee earlier this year. While a strong bipartisan consensus exists regarding the need for FHA reform, the Majority's insistence on linking enactment of those reforms to creation of yet another new federal housing program has caused many of us on this side of the aisle who would otherwise strongly support this legislation to oppose it when it was considered in the Financial Services Committee.

Those of us who opposed the legislation in Committee did so because we believe that a better approach is to dedicate the FHA surplus to shoring up the financial solvency of the program, which was only recently removed from GAO's list of government programs at "high risk" for waste, fraud and abuse. A portion of that surplus could also be returned to beneficiaries of the program -- many of whom are senior citizens who have taken out FHA-insured reverse mortgages -- in the form of lower insurance premiums.

Mr. Chairman, the key reforms included in this legislation -- lowering down payment requirements, increasing the loan limits on mortgages that FHA is authorized to insure, and giving FHA more pricing flexibility -- command broad consensus among Republicans, Democrats, and the Bush administration. Indeed, in announcing several initiatives last month designed to contain the damage caused by the problems in subprime, President Bush stressed the critical role that FHA can play in assisting homeowners facing sharply higher mortgage payments and possible foreclosure, and reaffirmed the administration's support for FHA modernization legislation.

However, the administration has also strongly opposed using the FHA surplus as seed money for an untested and unrelated government housing program. Thus, by insisting that this bill carry those controversial provisions, the Majority is delaying -- and perhaps even jeopardizing -- enactment of reforms that are needed NOW to provide a life-line for those seeking to refinance out of high-cost subprime loans. Accordingly, I urge my colleagues to support Republican amendments to strike the extraneous affordable housing fund provisions opposed by the administration, and allow us to move forward quickly with badly needed and long overdue reforms to the FHA program.

Mr. Chairman, I yield back the balance of my time.