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# BERNANKE, PAULSON, JACKSON ADDRESS SUBPRIME LENDING REFORMS

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Bachus proposal draws favorable reaction

During a hearing into the nation's subprime lending situation, Treasury Secretary Paulson described as "a constructive step" a proposal made by Ranking Member Bachus to require "uniform standards" for mortgage originators. This proposal is a major component of legislation offered by Rep. Bachus to protect homebuyers from predatory lending practices.

In his own testimony before the Committee, Fed Chairman Bernanke acknowledged that, "Consumers may also benefit from better information about costs, including brokers' fees, when choosing among competing mortgage products." Improved disclosures for consumers constitute another provision of the Bachus bill.

The Fair Mortgage Practices Act (H. R. 3012) is the culmination of a 16 month effort on the part of Rep. Bachus to achieve a bipartisan solution to concerns about unfair practices within the subprime lending industry.

The Bachus bill includes the following new or enhanced consumer protections:

- Creates a national registration and licensing standard for mortgage originators to enhance accountability and professionalism within the industry;
- Increases transparency in the mortgage process by simplifying disclosures for borrowers;
- Encourages financial institutions to evaluate a borrower's ability to repay a mortgage loan before extending credit;
- Increases support for housing counseling;
- Restricts prepayment penalties on Hybrid ARMs including 2/28s and 3/27s.
- Requires that subprime mortgages have escrow accounts for taxes and insurance at the time the loan is consummated;
- Strengthens enforcement against mortgage fraud schemes;
- Improves the integrity of appraisals.

Rep. Bachus expressed his hope that this subprime lending bill will be given prompt consideration by the Financial Services Committee and move expeditiously to the House Floor. "This bill is the culmination of more than sixteen months effort. We have had multiple hearings, shared ideas and adopted a "Sense of The Congress Resolution". It is time now to adopt a solution that maintains the benefits subprime lending has brought to our citizens while protecting against the abusive practices which threaten the subprime market."

"Protecting borrowers and preserving access to credit is critically important if we are going to keep the dream of home ownership and all its benefits attainable for working families," stated Rep. Bachus. "This is an important issue which we have studied, debated and agreed on the need for legislation. Now we need to act."

In addition to Ranking Member Bachus, the bill's sponsors include Reps. Deborah Pryce, Gary Miller, Steve LaTourette, Judy Biggert, Vern Buchanan, Vernon Ehlers, Fred Upton, Ginny-Brown Waite, Shelley Moore Capito, and Ralph Regula.