

Statement of Ranking Member Spencer Bachus, House Financial Services Committee Hearing Entitled, "Legislative Proposals on Reforming Mortgage Practices"

October 24, 2007

Mr. Chairman, thank you for convening this hearing on possible legislative responses to current problems in certain segments of the U.S. mortgage market. The testimony of the witnesses will be helpful, particularly their suggestions about what we can do to curtail predatory lending practices while ensuring that mortgage credit remains available to worthy subprime borrowers.

This Committee has a tradition of coming together to address serious issues in national financial services markets. In keeping with that tradition, there is bipartisan recognition of the need to eliminate predatory lending. For that reason, last July several Committee Republicans and I introduced a subprime lending reform bill to combat abusive practices and encourage greater accountability and transparency throughout the mortgage industry.

In taking action on this matter, our goal should be to correct existing problems without creating new ones. Let us not forget that subprime lending has made it possible for millions of low- and middle-income families to purchase homes. Even after the events of the past few months, some 85% of subprime borrowers continue to make timely payments and are enjoying the significant benefits of home ownership. Preserving the dream of home ownership and the access to credit that makes this dream possible should be a high priority as we work together on legislative responses to this issue.

It is essential that we be sensitive to the plight of homeowners facing sharply higher payments as their adjustable rate mortgages reset. We should be especially mindful that any new limitations we impose on mortgage lending do not make it less likely these families can refinance their mortgage loans with more affordable financing.

As we evaluate legislation, we should consider carefully how similar legislation on the national and state levels has affected the availability and affordability of credit to those who need it most. We need to determine whether these laws have had their intended effect, or whether, in some instances, they have actually harmed the low and moderate income families they were designed to help. The data on this subject has been studied and interpreted by a number of industry and consumer groups as well as academics. Their conclusions vary greatly. Hopefully the testimony of our witnesses will help bring some clarity to this subject.

As legislators the conclusions we make and actions we take have far greater weight than the reports of those who simply analyze this data. We have both the privilege and the responsibility of acting in the public's interest. That responsibility is particularly great when the things we do affect the hopes, dreams, and basic needs of all Americans.

The legislation before us, like all regulatory interventions, requires a balancing of interests. The competing values in this case are the availability of credit on one side and protecting borrowers from sharp practices and unethical conduct on the other. Our task is to strike an appropriate balance between these costs and benefits. The testimony of the witnesses will help us judge where that balance lies.

With that, let me welcome our witnesses. We're looking forward to hearing from you.

